



AGENDA
WATAUGA CITY COUNCIL
REGULAR MEETING
MONDAY, MARCH 9, 2026
CITY HALL COUNCIL CHAMBER, 7105 WHITLEY ROAD
6:30 PM

This notice is posted pursuant to the Texas Open Meetings Act. Notice is hereby given that a **Regular City Council Meeting** of the City of Watauga, Texas will be held at which time the following subjects will be discussed and may be acted upon.

CALL TO ORDER (Council Members, City Staff, Members of the Public - when speaking during the meeting please speak directly into the microphones on the dais or podium)

ROLL CALL

INVOCATION

PLEDGE OF ALLEGIANCE United States and Texas Flags

ANNOUNCEMENTS

PRESENTATIONS

1. Presentation of Employee of the Month Award for the month of March
2. Presentation of Service Awards for the City of Watauga Employees celebrating a Milestone Anniversary during the month of March.

PUBLIC COMMENT This is an opportunity for citizens to address the Council on items not posted on the current meeting agenda. Only those who have submitted a proper "Request to Speak Form" Shall be permitted to speak. Citizens should provide their name and address for the record and will have no more than 3 minutes to speak. If representing an organization or group, the speaker should identify who they represent. Those wishing to speak are reminded 1). All comments are to be directed to the Council. 2) Be respectful of others. 3) No profanity

permitted. 4) Violators will be removed from the premises. No discussion by the Council or Staff is allowed except to correct factual inaccuracies or request that the item be placed on a future agenda.

PUBLIC TESTIMONY FOR ACTION ITEMS This is an opportunity for citizens to address the Council on current agenda action items (excludes presentations and reports). Only those persons who have submitted a proper "Request to Speak Form" will be allowed to speak. Citizens will be required to state their name and address for the record. They have up to 3 minutes to speak, and their comments must be germane to the item. If speaking for an organization or group, the speaker should identify the group represented. Council members may ask questions or discuss the item with the citizens directly.

REPORTS

CONSENT AGENDA All of the items on the consent agenda are considered to be self-explanatory by the Council and will be enacted with one motion, one second, and one vote. There will be no separate discussion of these items. Any council member wishing to pull an item may do so.

1. Consider action on approval of the Monthly Financial Report for the period ending January 31, 2026.
Jennifer Calvert, Finance Director
2. Consider action on approval of the Watauga Police Department annual 2025 Racial Profiling report which is required by Article 2.132 Texas Code of Criminal Procedure (CCP).
Kevin Mead, Assistant Chief of Police
3. Consider action on approval of the first one-year renewal option, RFP-23-003, with Black Hill Landscaping and Paysage Group for landscape maintenance of city parks, roadway medians and facilities.
Timothy Hamilton, Parks and Community Services Director
Paul Hackleman, Director of Public Works
4. Consider action to authorize the City Manager to approve new lease contracts for print management and copiers from Xerox Solutions
Bradley Fraley, Chief Information Officer
5. Consider action to authorize the City Manager to approve the SLA renewal of a commercial phone system agreement with Spectrum VoIP
Bradley Fraley, Chief Information Officer
6. Consider action on approval of an ordinance canceling the May 2, 2026, General Election
Linda Proskey, City Secretary

7. Consider action on the approval of the renewal of the massage permits for Magic Massage, Niu Niu Foot Spa, RR Massage, A+ Massage
Linda Proskey, City Secretary
8. Consider action on approval of the January 12, 2026 Workshop minutes
Linda Proskey, City Secretary
9. Consider action on approval of the January 12, 2026 City Council Regular meeting minutes
Linda Proskey, City Secretary
10. Consider action on approval of the February 9, 2026 City Council Regular meeting.
Linda Proskey, City Secretary
11. Consider action on approval of the February 9, 2026 Workshop minutes
Linda Proskey, City Secretary
12. Consider action on approval of Emily Kim to Place 4 on the Library Board
Arthur Miner, Mayor
13. Consider action on approval of an ordinance canceling the May 2, 2026, Special Election to fill a vacancy for an unexpired term, Place 5.
Linda Proskey, City Secretary

PUBLIC HEARINGS

ACTION ITEMS

1. Consider action on approval of a Resolution authorizing participation in the U.S. Fixed Income Trust (US FIT) or one of its Texas public funds investment pools, e.g. Texas FIT (TX-FIT).
Jennifer Calvert, Finance Director
2. Discuss and consider action on approval of a resolution to accept the Annual Audit and Single Audit for the period October 1, 2024 - September 30, 2025.
Jennifer Calvert, Finance Director
3. Consider action on an ordinance of the City of Watauga, Texas, amending Chapter 12 of the Code of Ordinances of the City of Watauga, Texas; amending various rates and fees in Sections 12-2, 12-30 of Chapter 12; providing a repealing clause; providing a savings clause, providing for severability; and providing an effective date.
Jennifer Calvert, Finance Director
4. Discuss and consider the procedures for the training and travel budget for the Council
Arthur Miner, Mayor

EXECUTIVE SESSION The City Council will recess its open meeting and reconvene in executive session to discuss the following items pursuant to the below referenced section(s) of the Texas Government Code:

1. Pursuant to Section 551.074 of the Texas Government Code (Personnel), to deliberate and discuss the goals and objectives of the City Manager.

RECONVENE The City Council will return to open session in the City Council Chamber for possible discussion and action as a result of the Executive Session.

1. Consider action on matters relating to personnel as follows: discuss duties, responsibilities, and goals for the City Manager

Arthur Miner, Mayor

ITEMS OF EXECUTIVE SESSION DELIBERATION

ITEMS FOR FUTURE AGENDAS

ADJOURNMENT

Meeting Notices and Reservation of Rights

The City Council may retire to executive session any time between the meeting's opening and adjournment for the purpose of consultation with legal counsel pursuant to Chapter 551.071 of the Texas Government Code; discussion of personnel matters pursuant to Chapter 551.074 of the Texas Government Code if the requisite information is otherwise posted; deliberation regarding real property pursuant to Chapter 551.072 of the Texas Government Code; deliberation regarding economic development negotiations pursuant to Chapter 551.087 of the Texas Government Code; and/or deliberation regarding the deployment, or specific occasions for implementation of security personnel or devices pursuant to Chapter 551.076 of the Texas Government Code (as applicable) when determined necessary by the [City Council/Board/Commission/Committee] to address a subject matter on the agenda. Action, if any, will be taken in open session.

Attendance by Other Elected or Appointed Officials: It is anticipated that members of other governmental bodies, and/or city council, boards, commissions and/or committees may attend the meeting in numbers that may constitute a quorum of the body, board, commission and/or committee. Notice is hereby given that the meeting, to the extent required by law, is also noticed as a possible meeting of the other body, board, commission and/or committee, whose members may be in attendance, if such numbers constitute a quorum. The members of the city council, boards, commissions and/or committees may be permitted to participate in discussions on the same items listed on the agenda, which occur at the meeting, but no action

will be taken by such in attendance unless such item and action is specifically provided for on an agenda for that city council, body, board, commission or committee subject to the Texas Open Meetings Act.

NOTICE

THIS FACILITY IS WHEELCHAIR ACCESSIBLE AND ACCESSIBLE PARKING SPACES ARE AVAILABLE. REQUESTS FOR ACCOMMODATIONS OR INTERPRETIVE SERVICES MUST BE MADE 48 HOURS PRIOR TO THIS MEETING. PLEASE CONTACT THE CITY SECRETARY'S OFFICE AT (817) 514-5825, OR FAX (817) 514-3625.

I, Linda Proskey, City Secretary for the City of Watauga, hereby certify that this agenda was posted on the bulletin boards at City Hall, 7105 Whitley Road, Watauga, Texas, on March 3, 2026, before 5:00 p.m., in accordance with Chapter 551 of the Texas Government Code.

/S/ Linda Proskey
City Secretary





AGENDA MEMORANDUM

DATE: February 20, 2026
TO: Honorable City Council Members
FROM:
THROUGH:
SUBJECT: Presentation of Employee of the Month Award for the month of March

BACKGROUND/INFORMATION:

FINANCIAL IMPLICATIONS:

RECOMMENDATION/ACTION DESIRED:

ATTACHMENTS/ SUPPORTING DOCUMENTATION:

1. Employee of the Month - March 2026

REVIEWED BY:

Juliet Rodriguez, Human Resources and Civil Service
Director
Sandra Gibson, City Manager
Linda Proskey, City Secretary

Approved - 2/23/2026

Approved - 2/25/2026
Final Approval -
2/25/2026

Approved as to form for inclusion on Agenda

CITY OF WATAUGA

**EMPLOYEE OF THE MONTH
A W A R D**

Natalie Cadavid

Executive Administrative Assistant

Watauga Fire Department

**MARCH
2026**



*Thank you
for all you do!*



AGENDA MEMORANDUM

DATE: February 20, 2026

TO: Honorable City Council Members

FROM:

THROUGH:

SUBJECT: Presentation of Service Awards for the City of Watauga Employees celebrating a Milestone Anniversary during the month of March.

BACKGROUND/INFORMATION:

FINANCIAL IMPLICATIONS:

RECOMMENDATION/ACTION DESIRED:

ATTACHMENTS/ SUPPORTING DOCUMENTATION:

1. Milestone Service Award - March 2026

REVIEWED BY:

Juliet Rodriguez, Human Resources and Civil Service
Director

Sandra Gibson, City Manager
Linda Proskey, City Secretary

Approved - 2/23/2026

Approved - 2/25/2026
Final Approval -
2/25/2026

Approved as to form for inclusion on Agenda

City of Watauga

EMPLOYEE
MILESTONE
SERVICE AWARDS

March 2026



Thank You

Morgan Roper
Utility Billing Administrator

20 Years of Service





AGENDA MEMORANDUM

DATE: February 25, 2026
TO: Honorable City Council Members
FROM: Jennifer Calvert, Finance Director
THROUGH: Sandra Gibson, City Manager
SUBJECT: Consider action on approval of the Monthly Financial Report for the period ending January 31, 2026.

BACKGROUND/INFORMATION:

Monthly Financial Report for the period ending January 31, 2026

FINANCIAL IMPLICATIONS:

None

RECOMMENDATION/ACTION DESIRED:

Respectfully recommend the Council review and take action on the item presented.

ATTACHMENTS/ SUPPORTING DOCUMENTATION:

1. Council Report - January 2026 to Council March 9, 2026

REVIEWED BY:

Sandra Gibson, City Manager

Linda Proskey, City Secretary

Approved as to form for inclusion on Agenda

Approved - 2/26/2026

Final Approval - 2/27/2026



Monthly Financial Report Fiscal 2025-2026

For the period ending January 31, 2026

Sales Tax

Sales tax receipts from the State Comptroller received in the month of February 2026 (reflecting December 2025 sales receipts) decreased in total by 3.5% compared to the same time last year. This amount includes prior period adjustments, future period adjustments and audit collections.

Sales Tax Receipts	Dec-25	Dec-24	% change
City 1%	\$ 662,811	\$ 686,136	-3.4%
Street Maint 1/4%**	\$ -	\$ -	0.0%
CCD 1/2%	\$ 220,992	\$ 229,564	-3.7%
EDC 1/4%	\$ 110,469	\$ 114,356	-3.4%
Totals	\$ 994,272	\$ 1,030,057	-3.5%

*approved by voters May, 2021 for effective date of 10/1/2021

**abolished January, 2021

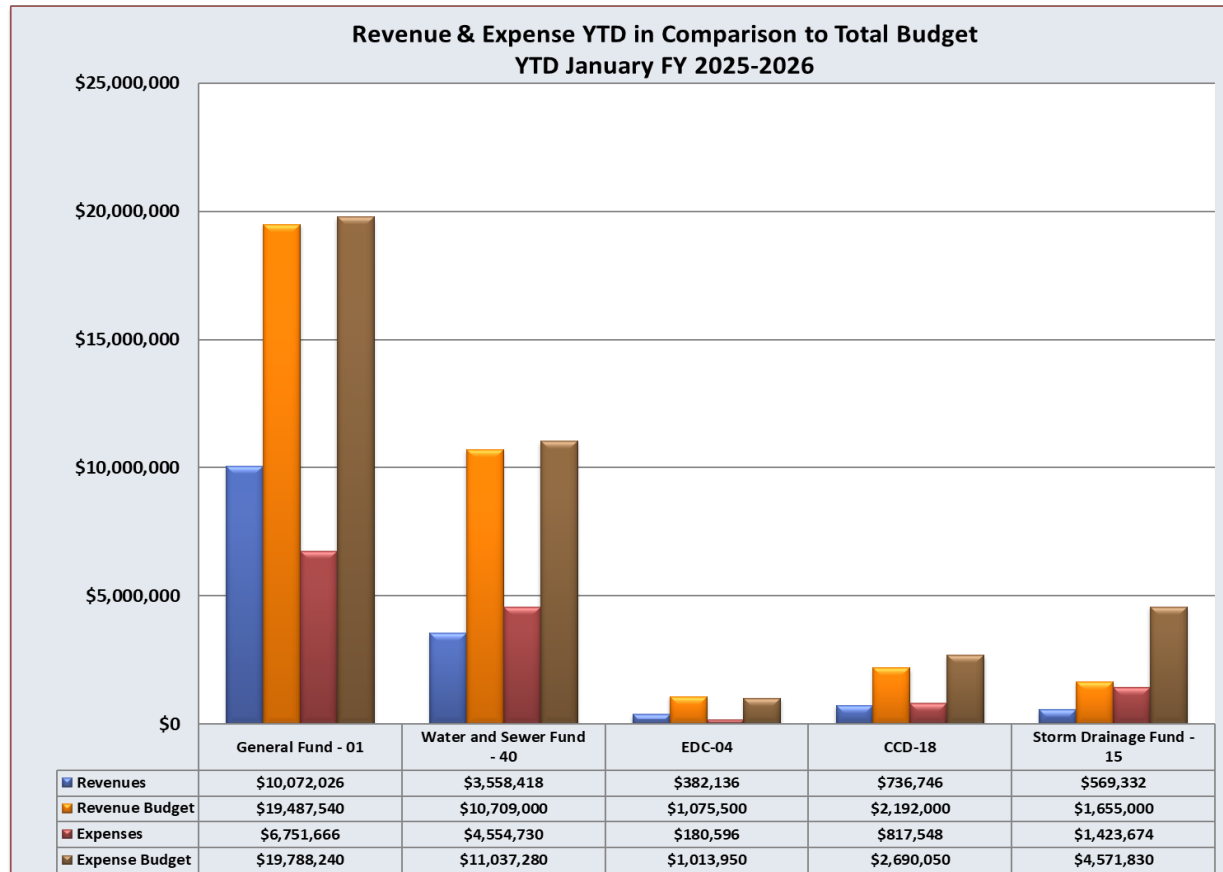
A comparison of December 2025 sales tax receipts for Watauga's and surrounding cities are shown below: These figures do not include Special District sales tax receipts.

SALES TAX RECEIPTS COMPARISONS December 2024 vs. December 2025 RECEIVED FROM COMPTROLLER - FEBRUARY FISCAL YEAR 2025-2026					
Sales Tax Receipts for the Month:					
City	December 2025 Sales	December 2024 Sales	\$ Change	% Change	
Grapevine	7,696,714.41	\$ 6,806,521.19	\$890,193.22	13.08%	
Southlake	5,343,593.70	\$ 4,816,081.24	\$527,512.46	10.95%	
Saginaw	918,209.52	\$ 851,447.42	\$66,762.10	7.84%	
Hurst	2,389,674.02	\$ 2,241,926.57	\$147,747.45	6.59%	
Eules	3,019,083.20	\$ 2,867,843.97	\$151,239.23	5.27%	
Haltom City	1,862,450.20	\$ 1,804,491.85	\$57,958.35	3.21%	
Roanoke	2,197,966.24	\$ 2,151,834.13	\$46,132.11	2.14%	
N. Richland Hills	2,508,484.22	\$ 2,513,063.63	(\$4,579.41)	-0.18%	
Watauga	662,811.44	\$ 686,136.44	(\$23,325.00)	-3.40%	
Bedford	1,722,545.34	\$ 1,826,219.39	(\$103,674.05)	-5.68%	
Colleyville	939,022.35	\$ 1,008,727.96	(\$69,705.61)	-6.91%	
Fort Worth	24,245,826.31	\$ 26,803,901.09	(\$2,558,074.78)	-9.54%	
Keller	1,723,785.89	\$ 2,074,797.01	(\$351,011.12)	-16.92%	
Richland Hills	509,302.60	\$ 693,810.95	(\$184,508.35)	-26.59%	
Source: State Comptroller					
City Collections only - not Special Purpose Districts or Transit					

The City will receive the distribution for January 2026 sales tax receipts on March 13, 2026. Sales tax revenues have been estimated for the January reporting period.

Financial Highlights

The City is 33.33% through the fiscal year 2025-2026. Revenue and expenses are reflected in the chart below and details of each fund's revenues and expenditures are attached. For example, the Police Department budget and expenditures are combined for two funds in which expenditures are reported (General Fund and Crime Control). The Consolidated Departmental Budget Report does not include capital outlay or debt service expenditures.



General Fund

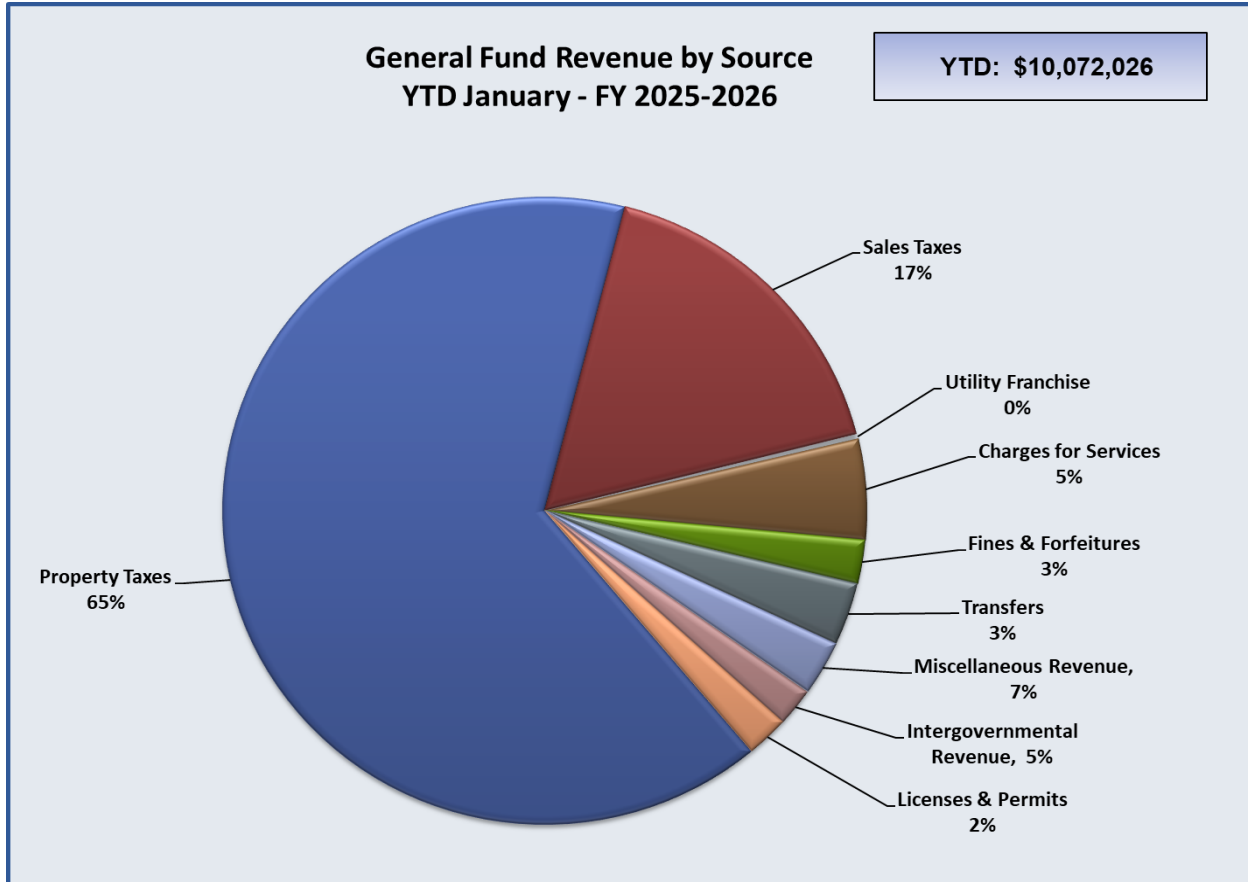
Revenues – Year-to-date revenues represent 51.7% of budget collected, or \$10,072,026.

Property Tax – As of January 31, 2026, the City has received 79.1% of budgeted property taxes and receipts remain in line with expectations currently. The majority of property tax revenues are received in December and January.

Utility Franchise Revenue - The majority of franchise receipts are received on a quarterly basis. The City has received \$25,136, or 3% in budgeted franchise fee revenues through January 2026. The City is anticipating receiving \$845,000 in franchise fee revenues in fiscal year 2025-2026. First quarter receipts are usually received in February.

Licenses and Permits - License and permit fees are at 23% of budget collected with revenue received at \$217,618.

Charges for Services - Charges for Services revenues are \$518,879 or 37.1% of budget collected. Charges for services include recreation fees, ambulance services, garbage collection fees and animal adoption fees. Receipts are 20%, or \$86,714 higher compared to the same period last year.

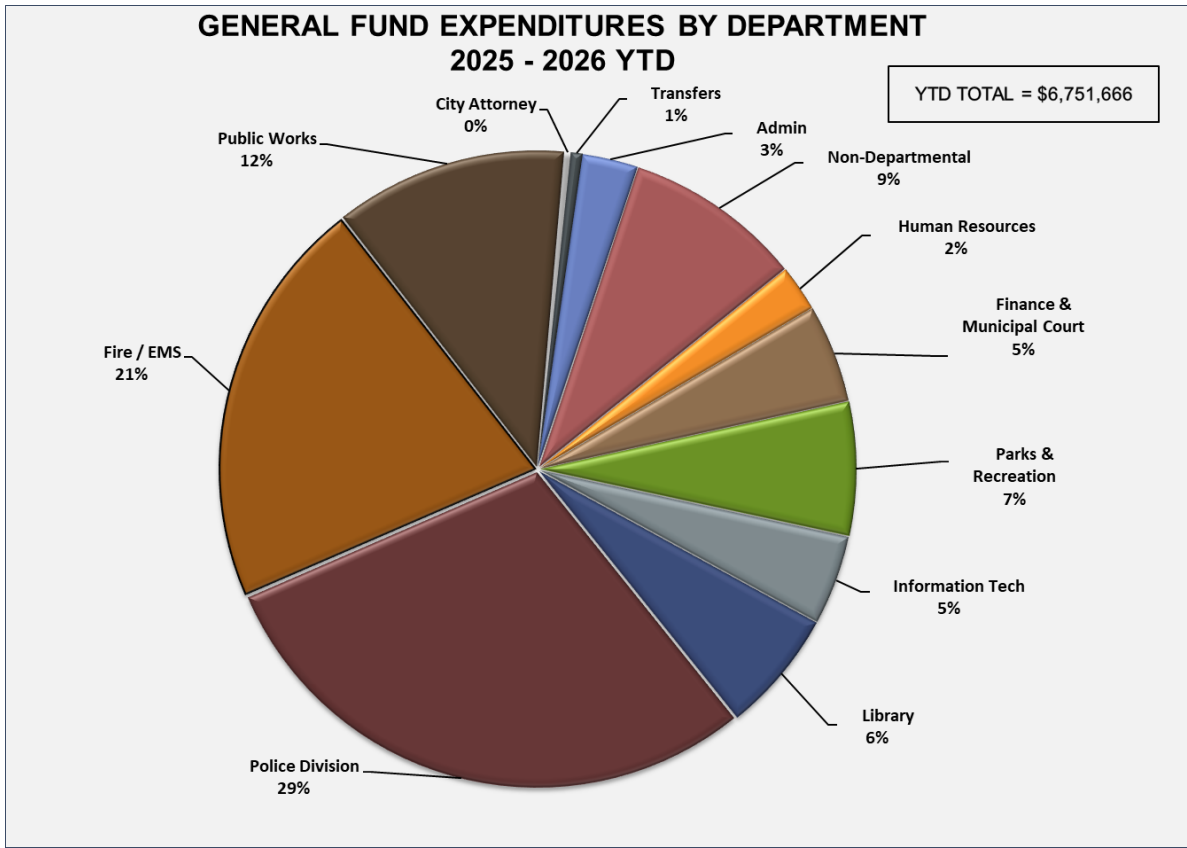


Fines and Forfeitures - Fines and Forfeitures are at \$227,089 or 36.5% of budget. This is \$36,696, or 19.3% higher than last year's collections for the same period.

Miscellaneous Revenue - Miscellaneous revenues include interest earnings, rental of recreational facilities, bingo, and other revenue. These receipts total \$282,233, which is 33.4% of budgeted revenues.

Intergovernmental Revenue and Transfers - Intergovernmental Revenue include transfers from other funds for services the general fund provides and payments in lieu of taxes from the enterprise funds. Currently these revenues are on target with Intergovernmental at \$197,759 or 35.3% of budget.

Expenses – General fund expenses are at 34.1% of budget expended and total \$6,751,666 for the year to date.



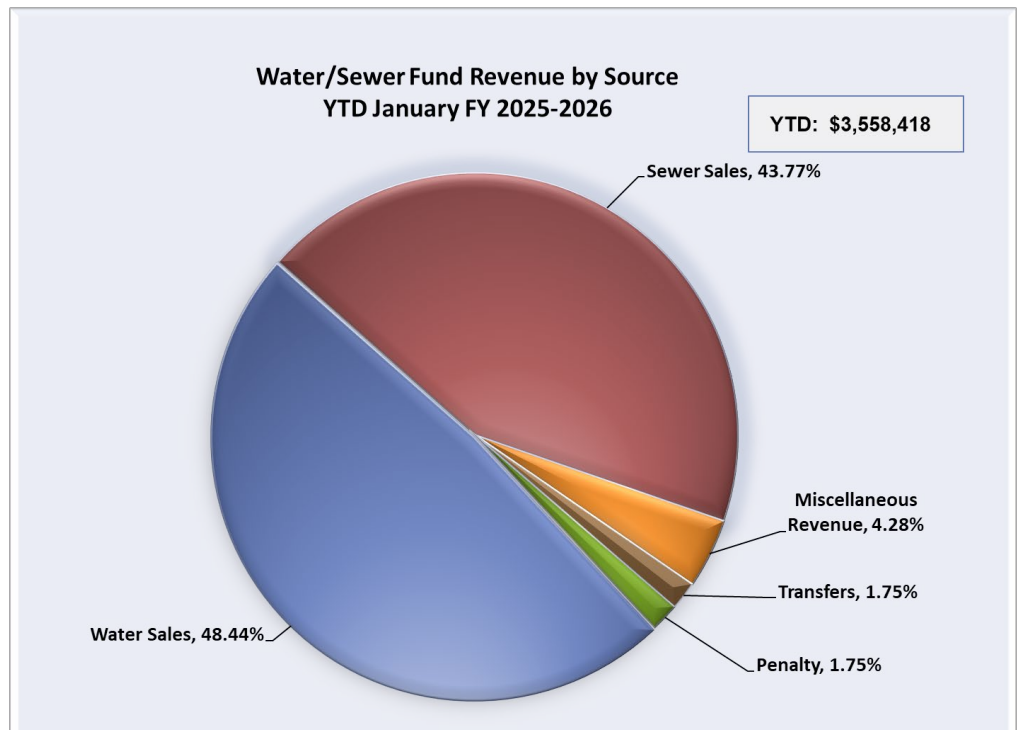
Water and Sewer Fund

Water and sewer revenues are .10% below target and are currently at \$3,558,418 or 33.23% of budget through January 2026.

Water sales are at \$1,723,837 or 31.9% of budgeted revenues and wastewater revenues are at \$1,557,367 or 33.9% of budget.

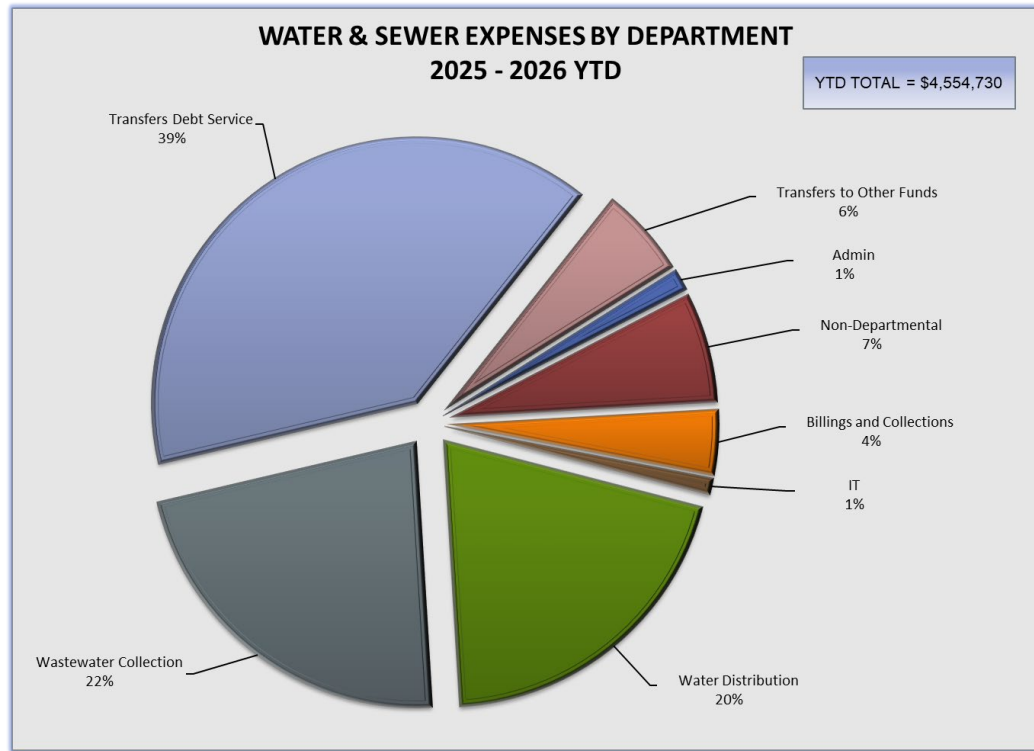
Water consumption varies due to seasonal fluctuations.

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Miscellaneous Sales and Penalties- Miscellaneous sales include penalty revenue, EPA revenue, service charges, returned check fees, and damaged/tampering fees. This category of revenue is \$99,095 or 31.4% of budget collected.

Expenses – Year-to-date expenses in the Water/Sewer fund are at \$4,554,730 or 41.3% of budget. Transfers to the debt service fund for payments due in February 2026 make up 70.9% of expenses year-to-date.



Storm Drain Fund – Revenues represent \$569,332 or 34.4% of budget collected. Expenses are \$1,423,674 or 31.1% of budget in this fund through January 2026.

Special Revenue Funds

- **Crime Control and Prevention District** revenues collected are \$736,746 or 33.6% of budget and expenditures are \$817,548 or 30.4% of budget.
- **Economic Development Corporation Fund** has collected \$382,136 or 35.5% of sales tax revenues and expenditures are \$180,596 or 17.8% of budget expended through January 2026.

YEAR-END AUDIT

The Finance department has completed the FY2025-2026 year-end audit. The process included review of financials, journal entries and preparation of various schedules and reports. The City's external auditor, Weaver, has finalized the audit. The final report, ACFR, for Fiscal Year ending September 30, 2025, will be presented to City Council on March 9, 2026.

DEPARTMENTAL CONSOLIDATED REPORT

JANUARY 2026

Group Summary

Department	Original Total Budget	Current Total Budget	Period Activity	Fiscal Activity	Encumbrances	Variance Favorable (Unfavorable)	Percent Remaining
010 - CITY SECRETARY OFFICE	465600.00	465,600.00	51,551.75	143,157.25	1,622.40	320,820.35	68.90%
011 - HUMAN RESOURCES	432580.00	432,580.00	44,273.22	159,627.96	26,814.32	246,137.72	56.90%
013 - DEVELOPMENT SERVICES DIVISION	380960.00	380,960.00	38,350.99	107,854.57	5,258.24	267,847.19	70.31%
015 - CITY MANAGER	344500.00	344,500.00	38,675.14	109,466.84	0.00	235,033.16	68.22%
016 - BUSINESS RETENTION/EDC	56650.00	56,650.00	1,468.00	2,740.64	0.00	53,909.36	95.16%
017 - BUSINESS ATTRACTION/EDC	58400.00	58,400.00	199.68	10,220.66	0.00	48,179.34	82.50%
018 - GENERAL ADMINISTRATION/EDC	98650.00	98,650.00	1,011.74	3,902.66	0.00	94,747.34	96.04%
020 - NON-DEPARTMENTAL	1883380.00	1,883,380.00	137,981.06	952,267.45	16,499.41	914,613.14	48.56%
021 - CITY ATTORNEY	75000.00	75,000.00	8,363.00	16,825.25	0.00	58,174.75	77.57%
030 - MUNICIPAL COURT DIVISION	498810.00	498,810.00	48,258.43	149,234.91	0.00	349,575.09	70.08%
040 - FINANCE	738050.00	738,050.00	69,364.13	205,988.34	107,269.34	424,792.32	57.56%
045 - BILLING & COLLECTIONS	628700.00	628,700.00	60,382.40	179,266.67	625.60	448,807.73	71.39%
050 - INFORMATION TECHNOLOGY	936270.00	936,270.00	69,190.79	353,625.98	62,389.35	520,254.67	55.57%
060 - LIBRARY	1362000.00	1,362,000.00	130,070.22	423,378.62	47,969.82	890,651.56	65.39%
070 - RECREATION	822720.00	822,720.00	67,671.37	225,768.51	19,883.41	577,068.08	70.14%
075 - PARKS DEPARTMENT	883950.00	883,950.00	70,292.45	234,712.07	116,687.52	532,550.41	60.25%
080 - POLICE	8196580.00	8,196,580.00	927,392.46	2,779,863.48	36,770.09	5,379,946.43	65.64%
085 - FIRE/MIS	4343320.00	4,343,320.00	529,932.74	1,415,863.44	56,525.82	2,870,930.74	66.10%
090 - PUBLIC WORKS	1731890.00	1,731,890.00	149,538.52	464,702.84	207,802.61	1,059,384.55	61.17%
093 - WATER DISTRIBUTION	2961710.00	2,961,710.00	219,125.87	911,386.28	33,096.48	2,017,227.24	68.11%
094 - WASTEWATER COLLECTION	3380020.00	3,380,020.00	317,482.87	1,015,455.07	15,400.00	2,349,164.93	69.50%
097 - FLEET MAINTENANCE	511670.00	511,670.00	56,777.03	140,462.77	32,705.56	338,501.67	66.16%
098 - BUILDING MAINTENANCE	1084760.00	1,084,760.00	138,368.97	304,765.74	22,530.50	757,463.76	69.83%
Report Total:	31,876,170.00	31,876,170.00	3,175,722.83	10,310,538.00	809,850.47	20,755,781.53	65.11%

Fund Detail Report

JANUARY 2026

CITY OF WATAUGA
BUDGET TO ACTUAL COMPARISON
FISCAL YEAR 2026
For the period ending: January 31, 2026 (2nd FY Qtr.)

GENERAL FUND - 01

REVENUE:	ORIGINAL BUDGET	1/31/2026 YTD ACTUAL	% USED	% REMAINING	1/31/2025 YTD ACTUAL	\$ CHG 25 vs 24	% CHG 25 vs 24
TAXES							
AD VALOREM	8,250,000	6,527,950	79.13%	20.87%	6,019,591	508,359	8.45%
Delinquent	35,000	20,936	59.82%	40.18%	29,754	(8,818)	-29.64%
Penalty & Interest	36,500	11,650	31.92%	68.08%	11,614	36	0.31%
SALES TAX	4,997,715	1,717,651	34.37%	65.63%	1,717,429	222	0.01%
UTILITY FRANCHISE	845,000	25,136	2.97%	97.03%	23,753	1,383	5.82%
LICENSES & PERMITS	948,000	217,618	22.96%	77.04%	375,790	(158,172)	-42.09%
INTERGOVERNMENTAL REVENUE	561,000	197,759	35.25%	64.75%	193,597	4,162	2.15%
CHARGES FOR SERVICES	1,397,500	518,879	37.13%	62.87%	432,165	86,714	20.07%
FINES & FORFEITURES	621,425	227,089	36.54%	63.46%	190,392	36,696	19.27%
MISCELLANEOUS INCOME	845,150	282,233	33.39%	66.61%	253,582	28,651	11.30%
OPERATING TRANSFERS IN	950,250	325,127	34.21%	65.79%	310,820	14,307	4.60%
TOTAL REVENUE	\$19,487,540	\$10,072,026	51.68%	48.32%	\$9,558,486	\$513,541	5.37%
ADMINISTRATION	621,500	193,204	31.09%	68.91%	128,187	65,017	50.72%
HUMAN RESOURCES	432,580	159,628	36.90%	63.10%	100,092	59,536	59.48%
BUILDINGS - PW	1,084,760	304,766	28.10%	71.90%	304,453	313	0.10%
FINANCE	641,800	188,194	29.32%	70.68%	238,152	(49,958)	-20.98%
MUNICIPAL COURT - FIN	498,810	149,235	29.92%	70.08%	148,387	848	0.57%
DEVELOPMENTAL SERVICES - PW	380,960	107,854	28.31%	71.69%	106,499	1,355	1.27%
LIBRARY	1,333,000	423,379	31.76%	68.24%	390,651	32,728	8.38%
PARKS AND RECREATION	1,706,670	460,480	26.98%	73.02%	433,338	27,142	6.26%
POLICE	5,544,530	1,975,952	35.64%	64.36%	1,868,917	107,035	5.73%
FIRE/EMS	4,343,320	1,415,863	32.60%	67.40%	1,315,618	100,245	7.62%
PUBLIC WORKS - STREETS	762,740	251,332	32.95%	67.05%	224,265	27,067	12.07%
FLEET MANAGEMENT - PW	513,170	140,463	27.37%	72.63%	110,179	30,284	27.49%
NON-DEPARTMENTAL	943,550	615,815	65.27%	34.73%	622,067	(6,252)	-1.01%
INFORMATION TECHNOLOGY	785,850	308,676	39.28%	60.72%	276,463	32,213	11.65%
ECONOMIC DEVELOPMENT	-	-	-	-	-	-	-
CITY ATTORNEY	75,000	16,825	22.43%	77.57%	26,095	(9,269)	-
TRANSFERS TO OTHER FUNDS	120,000	40,000	33.33%	66.67%	216,000	(176,000)	-81.48%
TOTAL EXPENDITURES	\$19,788,240	\$6,751,666	34.12%	65.88%	\$6,509,364	\$242,302	3.72%
EXCESS REVENUE OVER (UNDER) EXPENDITURES	(\$300,700)	\$3,320,360			\$3,049,122	\$271,239	

CITY OF WATAUGA
BUDGET TO ACTUAL COMPARISON
FISCAL YEAR 2026
For the period ending: January 31, 2026 (2nd FY Qtr.)

DEBT SERVICE FUND - 03

REVENUE:	CURRENT BUDGET	1/31/2026 YTD ACTUAL	% USED	% REMAINING	1/31/2025 YTD ACTUAL	\$ CHG 25 vs 24	% CHG 25 vs 24
TAXES							
AD VALOREM	3,762,000	2,973,906	79.05%	20.95%	3,485,713	(\$511,807)	-14.68%
Delinquent	11,000	12,128	110.25%	-10.25%	17,411	(\$5,284)	-30.35%
Penalty & Interest	11,000	4,079	37.08%	62.92%	5,531	(\$1,452)	-26.25%
INTEREST EARNINGS	50,000	17,665	35.33%	64.67%	19,869	(\$2,205)	-11.10%
OTHER FINANCING SOURCES	-	-	-	-	-	-	-
OPERATING TRANSFERS IN	459,050	50,000	10.89%	89.11%	50,000	\$0	0.00%
TOTAL REVENUE	\$4,293,050	\$3,057,777	71.23%	28.77%	\$3,578,524	(\$520,747)	-14.55%
 Contractual & Sundry	 3,971,985	 3,393,229	 85.43%	 14.57%	 4,078,898	 (\$685,669)	 0.00%
TOTAL EXPENDITURES	\$3,971,985	\$3,393,229	85.43%	14.57%	4,078,898	(\$685,669)	0.00%
 EXCESS REVENUE OVER (UNDER) EXPENDITURES	 \$321,065	 (\$335,452)			 (\$500,374)	 \$164,923	

CITY OF WATAUGA
BUDGET TO ACTUAL COMPARISON
FISCAL YEAR 2026
For the period ending: January 31, 2026 (2nd FY Qtr.)

WATER & SEWER - 40

	CURRENT BUDGET	1/31/2026 YTD ACTUAL	% USED	% REMAINING	1/31/2025 YTD ACTUAL	\$ CHG 25 vs 24	% CHG 25 vs 24
REVENUE:							
WATER SALES	5,400,000	1,723,837	31.92%	68.08%	1,754,237	(30,400)	-1.73%
SEWER SALES	4,600,000	1,557,367	33.86%	66.14%	1,453,815	103,552	7.12%
MISCELLANEOUS	316,000	99,095	31.36%	68.64%	102,406	(3,310)	-3.23%
PENALTY	195,000	62,337	31.97%	68.03%	60,198	2,139	3.55%
INTEREST	130,000	48,105	37.00%	63.00%	52,444	(4,339)	-8.27%
TRANSFERS	50,000	62,427	0.00%	0.00%	-	62,427	#DIV/0!
TAP FEES	-	5,250	-	-	13,320	(8,070)	-60.59%
SALE OF ASSETS	-	-	-	-	-	-	-
TOTAL REVENUE	\$10,691,000	\$3,558,418	33.28%	66.72%	\$3,436,420	\$121,998	3.55%
ADMINISTRATIVE	188,600	59,420	31.51%	68.49%	51,628	7,792	15.09%
NON-DEPARTMENTAL	850,280	304,699	35.84%	64.16%	318,552	(13,853)	-4.35%
BILLING & COLLECTIONS	628,700	179,267	28.51%	71.49%	201,002	(21,735)	-10.81%
MGT. INFO SYSTEMS	150,420	44,950	29.88%	70.12%	36,474	8,476	23.24%
WATER DISTRIBUTION	2,961,710	911,386	30.77%	69.23%	782,369	129,017	16.49%
WASTEWATER COLLECTION	3,380,020	1,015,455	30.04%	69.96%	837,506	177,949	21.25%
TRANSFERS	2,877,550	2,039,553	70.88%	29.12%	2,024,523	15,030	0.74%
TOTAL EXPENDITURES	11,037,280	4,554,730	41.27%	58.73%	4,252,053	\$302,677	7.12%
EXCESS REVENUE OVER (UNDER) EXPENDITURES	(\$346,280)	(\$996,312)			(\$815,633)	(\$180,678)	

CITY OF WATAUGA
BUDGET TO ACTUAL COMPARISON
FISCAL YEAR 2026
For the period ending: January 31, 2026 (2nd FY Qtr.)

STORM DRAIN FUND - 15

	CURRENT BUDGET	1/31/2026 YTD ACTUAL	% USED	% REMAINING	1/31/2025 YTD ACTUAL	\$ CHG 25 vs 24	% CHG 25 vs 24
REVENUE:							
USERS FEE	1,490,000	501,745	33.67%	66.33%	500,016	1,729	0.35%
OTHER REVENUE	-	-	-	-	-	-	-
INTEREST INCOME	165,000	67,587	40.96%	59.04%	78,860	(11,273)	-14.29%
TOTAL REVENUE	\$1,655,000	\$569,332	34.40%	65.60%	\$578,876	(\$9,544)	-1.65%
PERSONNEL	631,710	171,610	27.17%	72.83%	\$162,685	8,925	5.49%
SUPPLIES	38,900	9,678	24.88%	75.12%	\$6,717	2,961	44.08%
MAINTENANCE	59,500	3,372	5.67%	94.33%	\$7,220	(3,848)	-
CONTRACTUAL & SUNDRY	350,520	65,264	18.62%	81.38%	\$98,242	(32,978)	-33.57%
CAPITAL	3,296,200	1,108,663	33.63%	66.37%	\$28,024	1,080,639	-
TRANSFERS TO OTHER FUNDS	195,000	65,087	33.38%	66.62%	\$65,001	86	0.13%
TOTAL EXPENDITURES	\$4,571,830	\$1,423,674	31.14%	68.86%	\$367,890	\$1,055,784	286.98%
EXCESS REVENUE OVER (UNDER) EXPENDITURES	(\$2,916,830)	(\$854,342)			\$210,986	(\$1,065,328)	

**CITY OF WATAUGA
BUDGET TO ACTUAL COMPARISON
FISCAL YEAR 2026
For the period ending: January 31, 2026 (2nd FY Qtr.)**

CRIME CONTROL DISTRICT - 18

	ORIGINAL BUDGET	1/31/2026 YTD ACTUAL	% USED	% REMAINING	1/31/2025 YTD ACTUAL	\$ CHG 25 vs 24	% CHG 25 vs 24
REVENUE:							
SALES TAX	1,986,000	681,789	34.33%	65.67%	670,165	11,624	1.73%
INTEREST EARNING/OTHER TRANSFERS	206,000	54,957	26.68%	73.32%	63,826	(8,869)	-13.90%
	-	-	-	-	-	-	-
TOTAL REVENUE	\$2,192,000	\$736,746	33.61%	66.39%	\$733,992	\$2,754	0.38%
PERSONNEL SERVICES	1,679,300	473,432	28.19%	71.81%	\$358,291	115,141	32.14%
SUPPLIES	190,600	64,094	33.63%	66.37%	\$40,597	23,497	57.88%
MAINTENANCE	322,000	95,225	29.57%	70.43%	\$128,295	(33,070)	-25.78%
CONTRACTUAL & SUNDRY TRANSFERS	295,350	138,382	46.85%	53.15%	\$84,219	54,163	64.31%
CAPITAL OUTLAY	38,000	13,636	35.88%	64.12%	\$13,343	293	2.20%
	164,800	32,779	0.00%	0.00%	\$29,910	2,869	100.00%
TOTAL EXPENDITURES	2,690,050	817,548	30.39%	69.61%	\$654,656	\$162,892	24.88%
EXCESS REVENUE OVER (UNDER) EXPENDITURES	(\$498,050)	(\$80,802)			\$79,336	(\$160,138)	

CITY OF WATAUGA
BUDGET TO ACTUAL COMPARISON
FISCAL YEAR 2026
For the period ending: January 31, 2026 (2nd FY Qtr.)

WATAUGA ECONOMIC DEVELOPMENT CORP - 04

	CURRENT BUDGET	1/31/2026 YTD ACTUAL	% USED	% REMAINING	1/31/2025 YTD ACTUAL	\$ CHG 25 vs 24	% CHG 25 vs 24
REVENUE:							
SALES TAX	993,000	341,658	34.41%	65.59%	340,973	684	0.20%
INTEREST EARNINGS	80,000	39,853	49.82%	50.18%	41,589	(1,736)	-4.17%
INTEREST/ESCROW	-	-	-	-	-	-	0.00%
CONTRIBUTIONS/OTHER	2,500	625	25.00%	75.00%	638	(13)	0.00%
TOTAL REVENUE	\$1,075,500	\$382,136	35.53%	64.47%	\$383,200	(\$1,064)	-0.28%
PERSONNEL SERVICES	-	-	-	-	-	-	0.00%
NON-DEPARTMENTAL	-	-	-	-	-	-	0.00%
SUPPLIES	1,000	23	2.33%	97.67%	13	11	0.00%
MAINTENANCE	-	-	0.00%	100.00%	-	-	0.00%
CONTRACTUAL & SUNDRY	212,700	16,841	7.92%	92.08%	34,263	(17,422)	-50.85%
TRANSFERS	800,250	163,732	20.46%	79.54%	187,213	(23,481)	-12.54%
CAPITAL OUTLAY	-	-	-	-	-	-	0.00%
TOTAL EXPENDITURES	\$1,013,950	\$180,596	17.81%	82.19%	\$221,489	(\$40,893)	-18.46%
EXCESS REVENUE OVER (UNDER) EXPENDITURES	\$61,550	\$201,540			\$161,711	\$39,828	



AGENDA MEMORANDUM

DATE: February 18, 2026

TO: Honorable City Council Members

FROM: Kevin Mead, Assistant Chief of Police

THROUGH: Sandra Gibson, City Manager

SUBJECT: Consider action on approval of the Watauga Police Department annual 2025 Racial Profiling report which is required by Article 2.132 Texas Code of Criminal Procedure (CCP).

BACKGROUND/INFORMATION:

The Watauga Police Department has complied with Article 2.132 of the Texas Code of Criminal Procedure (CCP), Law Enforcement Policy on Racial Profiling as required. Watauga Police Department is required to submit a report of vehicle stop and search data by race of the operator prior to March 1st of each year for the previous calendar year. The attached report is a compilation of the required data. No concerns are identified in this report.

FINANCIAL IMPLICATIONS:

None.

RECOMMENDATION/ACTION DESIRED:

Respectfully recommend the Council review and take action on the item presented.

ATTACHMENTS/ SUPPORTING DOCUMENTATION:

1. Final 2025 Racial Profile Report

REVIEWED BY:

Kevin Mead, Assistant Chief of Police
Sandra Gibson, City Manager
Linda Proskey, City Secretary

Approved - 2/25/2026
Approved - 2/26/2026
Final Approval - 2/26/2026

Approved as to form for inclusion on Agenda

Racial Profiling Report | Full

Agency Name: WATAUGA POLICE DEPT.
Reporting Date: 02/17/2026
TCOLE Agency Number: 439231

Chief Administrator: JAMES R LEWIS III

Agency Contact Information:
Phone: (817) 514-5787
Email: JLewis@wataugatx.org

Mailing Address:
7101 WHITLEY RD, WATAUGA, TX, 761482024

This Agency filed a full report

WATAUGA POLICE DEPT. has adopted a detailed written policy on racial profiling. Our policy:

- 1) clearly defines acts constituting racial profiling;
- 2) strictly prohibits peace officers employed by the WATAUGA POLICE DEPT. from engaging in racial profiling;
- 3) implements a process by which an individual may file a complaint with the WATAUGA POLICE DEPT. if the individual believes that a peace officer employed by the WATAUGA POLICE DEPT. has engaged in racial profiling with respect to the individual;
- 4) provides public education relating to the agency's complaint process;
- 5) requires appropriate corrective action to be taken against a peace officer employed by the WATAUGA POLICE DEPT. who, after an investigation, is shown to have engaged in racial profiling in violation of the WATAUGA POLICE DEPT. policy;
- 6) requires collection of information relating to motor vehicle stops in which a warning or citation is issued and to arrests made as a result of those stops, including information relating to:
 - a. the race or ethnicity of the individual detained;
 - b. whether a search was conducted and, if so, whether the individual detained consented to the search;
 - c. whether the peace officer knew the race or ethnicity of the individual detained before detaining that individual;
 - d. whether the peace officer used physical force that resulted in bodily injury during the stop;
 - e. the location of the stop;
 - f. the reason for the stop.
- 7) requires the chief administrator of the agency, regardless of whether the administrator is elected, employed, or appointed, to submit an annual report of the information collected under Subdivision (6) to:
 - a. the Commission on Law Enforcement; and
 - b. the governing body of each county or municipality served by the agency, if the agency is an agency of a county, municipality, or other political subdivision of the state.

The WATAUGA POLICE DEPT. has satisfied the statutory data audit requirements as prescribed in Article 2.133(c), Code of Criminal Procedure during the reporting period.

Executed by: Stephanie Menefee
Records Supervisor

Date: 02/17/2026

Total stops: 10830

Street address or approximate location of the stop

City street	9236
US highway	1356
County road	6
State highway	212
Private property or other	20

Was race or ethnicity known prior to stop?

Yes	110
No	10720

Race / Ethnicity

Alaska Native / American Indian	120
Asian / Pacific Islander	685
Black	2192
White	5938
Hispanic / Latino	1895

Gender

Female	4104
Alaska Native / American Indian	25
Asian / Pacific Islander	215
Black	869
White	2311
Hispanic / Latino	684
Male	6726
Alaska Native / American Indian	95
Asian / Pacific Islander	470
Black	1323
White	3627
Hispanic / Latino	1211

Reason for stop?

Violation of law	433
Alaska Native / American Indian	3
Asian / Pacific Islander	26
Black	100
White	257

Hispanic / Latino	47
Preexisting knowledge	256
Alaska Native / American Indian	2
Asian / Pacific Islander	8
Black	75
White	101
Hispanic / Latino	70
Moving traffic violation	7866
Alaska Native / American Indian	100
Asian / Pacific Islander	581
Black	1471
White	4354
Hispanic / Latino	1360
Vehicle traffic violation	2275
Alaska Native / American Indian	15
Asian / Pacific Islander	70
Black	546
White	1226
Hispanic / Latino	418
Was a search conducted?	
Yes	263
Alaska Native / American Indian	0
Asian / Pacific Islander	11
Black	81
White	131
Hispanic / Latino	40
No	10567
Alaska Native / American Indian	120
Asian / Pacific Islander	674
Black	2111
White	5807
Hispanic / Latino	1855
Reason for Search?	
Consent	67
Alaska Native / American Indian	0
Asian / Pacific Islander	4
Black	10
White	41

Hispanic / Latino	12
Contraband	18
Alaska Native / American Indian	0
Asian / Pacific Islander	0
Black	3
White	10
Hispanic / Latino	5
Probable	141
Alaska Native / American Indian	0
Asian / Pacific Islander	2
Black	63
White	56
Hispanic / Latino	20
Inventory	7
Alaska Native / American Indian	0
Asian / Pacific Islander	1
Black	1
White	4
Hispanic / Latino	1
Incident to arrest	30
Alaska Native / American Indian	0
Asian / Pacific Islander	4
Black	4
White	20
Hispanic / Latino	2

Was Contraband discovered?

Yes	169
Alaska Native / American Indian	0
Asian / Pacific Islander	11
Black	81
White	131
Hispanic / Latino	40
No	94
Alaska Native / American Indian	0
Asian / Pacific Islander	7
Black	24
White	51
Hispanic / Latino	12

Did the finding result in arrest?

(total should equal previous column)

Yes	0	No	0
Yes	1	No	3
Yes	1	No	56
Yes	12	No	68
Yes	1	No	27

Description of contraband	
Drugs	138
Alaska Native / American Indian	0
Asian / Pacific Islander	3
Black	53
White	60
Hispanic / Latino	22
Weapons	4
Alaska Native / American Indian	0
Asian / Pacific Islander	1
Black	1
White	1
Hispanic / Latino	1
Currency	0
Alaska Native / American Indian	0
Asian / Pacific Islander	0
Black	0
White	0
Hispanic / Latino	0
Alcohol	19
Alaska Native / American Indian	0
Asian / Pacific Islander	0
Black	6
White	9
Hispanic / Latino	4
Stolen property	0
Alaska Native / American Indian	0
Asian / Pacific Islander	0
Black	0
White	0
Hispanic / Latino	0
Other	26
Alaska Native / American Indian	0
Asian / Pacific Islander	1
Black	3
White	17
Hispanic / Latino	5
Result of the stop	
Verbal warning	0

Alaska Native / American Indian	0
Asian / Pacific Islander	0
Black	0
White	0
Hispanic / Latino	0
Written warning	6508
Alaska Native / American Indian	43
Asian / Pacific Islander	415
Black	1291
White	3804
Hispanic / Latino	955
Citation	4265
Alaska Native / American Indian	0
Asian / Pacific Islander	4
Black	10
White	33
Hispanic / Latino	6
Written warning and arrest	4
Alaska Native / American Indian	0
Asian / Pacific Islander	1
Black	0
White	3
Hispanic / Latino	0
Citation and arrest	53
Alaska Native / American Indian	0
Asian / Pacific Islander	4
Black	10
White	33
Hispanic / Latino	6
Arrest	0
Alaska Native / American Indian	0
Asian / Pacific Islander	0
Black	0
White	0
Hispanic / Latino	0
Arrest based on	
Violation of Penal Code	31
Alaska Native / American Indian	0
Asian / Pacific Islander	5

Black	2
White	22
Hispanic / Latino	2
Violation of Traffic Law	18
Alaska Native / American Indian	0
Asian / Pacific Islander	0
Black	7
White	8
Hispanic / Latino	3
Violation of City Ordinance	1
Alaska Native / American Indian	0
Asian / Pacific Islander	0
Black	0
White	1
Hispanic / Latino	0
Outstanding Warrant	7
Alaska Native / American Indian	0
Asian / Pacific Islander	0
Black	1
White	5
Hispanic / Latino	1

Was physical force resulting in bodily injury used during stop?

Yes	2
Alaska Native / American Indian	0
Asian / Pacific Islander	0
Black	0
White	1
Hispanic / Latino	1
Resulting in Bodily Injury To:	
Suspect	0
Officer	0
Both	0
No	10828
Alaska Native / American Indian	120
Asian / Pacific Islander	685
Black	2192
White	5937
Hispanic / Latino	1894

Number of complaints of racial profiling

Total	10830
Resulted in disciplinary action	0
Did not result in disciplinary action	0

Comparative Analysis

- | | |
|-------------------------------------|--------------------------|
| Use TCOLE's auto generated analysis | ☐ |
| Use Department's submitted analysis | ☐ |

Optional Narrative

N/A

Submitted electronically to the



The Texas Commission on Law Enforcement



AGENDA MEMORANDUM

DATE: February 20, 2026

TO: Honorable City Council Members

FROM: Timothy Hamilton, Parks and Community Services Director
Paul Hackleman, Director of Public Works

THROUGH: Sandra Gibson, City Manager

SUBJECT: Consider action on approval of the first one-year renewal option, RFP-23-003, with Black Hill Landscaping and Paysage Group for landscape maintenance of city parks, roadway medians and facilities.

BACKGROUND/INFORMATION:

This is the first one-year renewal following the initial three-year award of RFP #23-003 to Black Hill Landscaping (formerly MG Lawn & Landscape) and Paysage Group (formerly Smith Lawn & Tree). A summary of 2023's agenda item follows.

RFP #23-003, Landscape Maintenance, was issued in January 2023. Sixteen vendors were notified of the proposal opportunity, and four responded: MG Lawn & Landscape, Smith Lawn & Tree, SRH Landscapes, and Unicare Building Maintenance.

A committee of three was established to evaluate the proposals received. In accordance with Local Government Code Chapter 252.043 and established in the proposal document, the following criteria were used to evaluate each response:

- overall price for services
- experience providing required services/past experiences/references
- ability to provide required services
- completeness of proposal submission

After reviewing all proposals, the committee ranked MG Lawn & Landscape and Smith Lawn & Tree as having the highest scores and determined that they best meet the City's needs. The Landscape Maintenance services provided include:

- City parks
- City facility buildings
- Bed maintenance
- City medians and right of ways
- Storm drainage channels



AGENDA MEMORANDUM

Additional channel locations and cycles were added to stormwater services, increasing the need for additional appropriations in future budgets. This increase is covered by the current storm drain fee. Additional cycles will enhance the City's aesthetics and improve the quality of life for residents living near the channels.

The proposal and award were based on a three-year initial term with the option to renew for two additional one-year periods upon vendor agreement and City Council approval. This is subject to City Council approval and to the availability of funds.

FINANCIAL IMPLICATIONS:

Parks, Facilities & Bed Maintenance: Funds available in 2025-2026 Budget for Parks and Community Services

Storm Drain and ROW Maintenance: Funds available in 2025-2026 Budget for Storm Drain Utility Fund

RECOMMENDATION/ACTION DESIRED:

Respectfully recommend City Council take action on the item by using the first one-year renewal following the initial three-year award of RFP #23-003 Landscape Maintenance to Black Hill Landscaping (formerly MG Lawn & Landscape) and Paysage Group (formerly Smith Lawn & Tree) for Landscape Maintenance Services as presented.

ATTACHMENTS/ SUPPORTING DOCUMENTATION:

1. Renewal of Paysage Group contract confirmation email
2. Renewal of Black Hill Landscaping contract confirmation email
3. Pricing Worksheet

REVIEWED BY:

Paul Hackleman, Director of Public Works

Frieda Buck, Purchasing Coordinator

Jennifer Calvert, Finance Director

David Berman, City Attorney

Sandra Gibson, City Manager

Linda Proskey, City Secretary

Approved as to form for inclusion on Agenda

Approved - 2/24/2026

Approved - 2/24/2026

Approved - 2/24/2026

Approved - 2/25/2026

Approved - 2/26/2026

Final Approval - 2/26/2026

From: [David Yonis](#)
To: [Frieda Buck](#)
Cc: [Aaron Kaut](#)
Subject: RE: CITY OF WATAUGA - RENEWAL
Date: Monday, February 23, 2026 7:23:05 AM
Attachments: [image007.png](#)
[image008.png](#)
[image009.png](#)
[image010.png](#)
[image011.png](#)

CAUTION: This email originated from outside of the organization. Do not click links or open attachments unless you recognize the sender and know the content is safe.

Good morning Freida,

Please consider this email Smith Lawn and Tree's confirmation to renew Landscaping Services for the City of Watauga for 1 year.

Thank you,

David

David Yonis

Chief Operating Officer
TCLP 625
LI16928
817-921-2222 (office)
817-825-1935 (cell)
david@smithdfw.com
Smithlawnandtree.com



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From: Frieda Buck <FBuck@wataugatx.org>
Sent: Friday, February 20, 2026 2:12 PM
To: David Yonis <david@smithdfw.com>
Cc: Aaron Kaut <AKaut@wataugatx.org>
Subject: FW: CITY OF WATAUGA - RENEWAL

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Frieda Buck
Purchasing Coordinator
fbuck@cowtx.org

City of Watauga
7105 Whitley Road
Watauga, TX 76148

817-514-5733
www.cowtx.org

From: Frieda Buck

Sent: Friday, February 20, 2026 2:10 PM

To: Russell Simpler <russell@smithdfw.com>; Destany Hall <destany@smithdfw.com>

Cc: Aaron Kaut <AKaut@wataugatx.org>

Subject: CITY OF WATAUGA - RENEWAL

Hello-

We are reaching out to confirm renewal with the City of Watauga for Landscaping Services for a 1 year renewal.

We look forward to your response.

Thank you,



Frieda Buck
Purchasing Coordinator
fbuck@cowtx.org

City of Watauga
7105 Whitley Road
Watauga, TX 76148

817-514-5733
www.cowtx.org

This email has been scanned for spam & viruses. If you believe this email should have been

stopped by our filters, [click here](#) to report it.

From: [Denisse Montenegro](#)
To: [Timothy Hamilton](#)
Subject: RE: renewal of Black Hill Landscaping contract
Date: Monday, February 23, 2026 10:57:19 AM
Attachments: [image007.png](#)
[image008.png](#)
[image010.png](#)
[image011.png](#)
[image012.png](#)
[image013.png](#)

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Good morning,

Thank you for reaching out and for the kind words. It has been a genuine pleasure serving the City of Watauga over the past three years, and we are proud of the partnership we have built together.

Please accept this email as our confirmation of interest in renewing the Landscape Maintenance Services contract for the upcoming one-year term beginning March 13, 2026, under the current terms and conditions. We are happy to proceed and look forward to receiving the renewal documents from your team.

Watauga has been a valued part of our portfolio, and we look forward to many more seasons keeping your community beautiful together.

Please do not hesitate to reach out if you need anything from us to move the process forward.

Warm regards,

Denisse



Denisse Montenegro

Founder & CEO

(817) 228-4609

Denisse@blackhilltx.com

BlackHillLandscaping.com

Where Excellence Takes Root

From: Timothy Hamilton <THamilton@wataugatx.org>

Sent: Monday, February 23, 2026 10:29 AM

To: Denisse Montenegro <denisse@meangreenlawncare.com>

Subject: renewal of Black Hill Landscaping contract

Good morning Denisse,

The City of Watauga is pleased to inform you of our interest in renewing the Landscape Maintenance Services contract for the upcoming one-year term, beginning March 13, 2026. Your team's reliability, quality of work, and responsiveness over the last three years have been appreciated, and we look forward to the possibility of continuing this partnership. You truly help us to keep Watauga beautiful. As you may be aware, the initial contract was for three years with two one-year renewal options. As we proceed with the renewal process, please confirm your interest in extending the contract under the current terms and conditions, so that our staff can prepare the necessary documents to finalize the extension.

Thank you for your continued service to the City of Watauga. We look forward to hearing back from you.



MGLAWN
FISCAL YEAR 2022-2023 BUDGET ANALYSIS/IMPACT

FACILITIES/PARKS/BEDS

ORIGINAL BUDGET:		160,000		NEGOTIATION ADJUSTMENT			
CURRENT REMAINING BUDGET:		107,344					
LOCATION	RANKING IN COST	FY22-23			FY22-23		
		PRICE PER CYCLE	# CYCLES	TOTAL	PRICE PER CYCLE	# CYCLES	TOTAL
BISD PARK	2	460.00	24	11,040.00	460.00	24	11,040.00
CAPP SMITH PARK	2	1,300.00	24	31,200.00	1,300.00	24	31,200.00
FOSTER VILLAGE PARK	4	630.00	24	15,120.00	630.00	24	15,120.00
HILLVIEW PARK	4	75.00	24	1,800.00	75.00	24	1,800.00
VIRGIL ANTHONY PARK	2	285.00	24	6,840.00	285.00	24	6,840.00
WHITES BRANCH CREEK TRAIL	2	255.00	17	4,335.00	255.00	17	4,335.00
PARKS TOTAL:				70,335.00			70,335.00
ANIMAL CENTER	2	65.00	24	1,560.00	65.00	24	1,560.00
FIRE STATION	4	100.00	24	2,400.00	100.00	24	2,400.00
MUNICIPAL COMPLEX	3	125.00	24	3,000.00	125.00	24	3,000.00
PUBLIC WORKS COMPLEX	2	75.00	24	1,800.00	75.00	24	1,800.00
COMMUNITY CENTER	3	1,015.00	24	24,360.00	1,015.00	24	24,360.00
FACILITIES TOTAL:				33,120.00			33,120.00
BEDS - BUNKER BLVD	1	95.00	10	950.00	70.00	10	700.00
BEDS - FIRE STATION	3	150.00	10	1,500.00	110.00	10	1,100.00
BEDS - HWY 377	3	400.00	10	4,000.00	300.00	10	3,000.00
BEDS - MUNICIPAL COMPLEX	2	100.00	10	1,000.00	75.00	10	750.00
BEDS - COMMUNITY CENTER	2	125.00	10	1,250.00	95.00	10	950.00
BEDS TOTAL:				8,700.00			6,500.00
FACILITIES/PARKS/BEDS GRAND TOTAL:				112,155.00			109,955.00

ANNUAL PROPOSAL

COMPARISON TO PREVIOUS PROPOSAL BASED ON ENTIRE CONTRACT AMOUNT		
PREVIOUS	CURRENT	DIFFERENCE
13,096.64	14,260.00	1,163.36
50,298.11	40,300.00	-9,998.11
14,314.83	19,530.00	5,215.17
3,139.59	2,325.00	-814.59
10,509.52	8,835.00	-1,674.52
13,139.37	5,355.00	-7,784.37
104,498.06	90,605.00	-13,893.06
4,127.09	2,015.00	-2,112.09
5,053.76	3,100.00	-1,953.76
11,964.06	3,875.00	-8,089.06
4,837.19	2,325.00	-2,512.19
18,279.58	31,465.00	13,185.42
44,261.68	42,780.00	-1,481.68
*BED MAINTENANCE INCLUDED ABOVE		
0.00	1,190.00	1,190.00
0.00	1,870.00	1,870.00
0.00	5,100.00	5,100.00
0.00	1,275.00	1,275.00
0.00	1,615.00	1,615.00
0.00	11,050.00	11,050.00
148,759.74	144,435.00	-4,324.74

STREETS/ROW/DRAINAGE

ORIGINAL BUDGET:		45,000	
CURRENT REMAINING BUDGET:		31,722	
LOCATION	RANKING IN COST	FY22-23	
		PRICE PER CYCLE	# CYCLES
BURSEY ROAD	4	65.00	12
CHAPMAN ROAD	4	305.00	12
HIGHTOWER DRIVE	4	100.00	12
HWY. 377	4	1,000.00	17
INDIAN SPRNGS ROAD	3	115.00	12
MORRIS BLVD.	2	20.00	12
NORTH PARK DRIVE	4	70.00	12
OLD WHITLEY ROAD	4	60.00	17
PARK VISTA BLVD.	4	745.00	17
RIDGE VIEW DRIVE	2	20.00	12
STARNES ROAD	3	115.00	12
WATAUGA ROAD	4	210.00	17
WHISPERING LANE	2	20.00	12
WHITLEY ROAD	4	550.00	17
STREETS/ROW TOTAL:			53,565.00
DRAINAGE A4	4	1,883.00	6
DRAINAGE B1	3	791.00	6
DRAINAGE B2	4	1,467.00	6
DRAINAGE B3	4	2,170.00	6
DRAINAGE B3A	3	585.00	6
DRAINAGE C1	4	986.00	6
DRAINAGE C2	4	527.00	6
DRAINAGE C3	4	427.00	6
DRAINAGE D1	4	1,640.00	6
DRAINAGE D2	4	1,665.00	6
DRAINAGE E2	3	1,338.00	6
DRAINAGE E3	3	504.00	6
DRAINAGE F1	4	2,690.00	6
DRAINAGE F2	4	747.00	6
DRAINAGE F3	4	520.00	6
DRAINAGE G2	4	945.00	6
STARNES/LIFE TABERNACLE	3	141.00	6
DRAINAGE TOTAL:			114,156.00
STREETS/ROW/DRAINAGE GRAND TOTAL:			

PRICE PER CYCLE	# CYCLES	TOTAL
58.00	12	696.00
305.00	12	3,660.00
90.00	12	1,080.00
900.00	17	15,300.00
104.00	12	1,248.00
18.00	12	216.00
64.00	12	768.00
54.00	17	918.00
670.00	17	11,390.00
18.00	12	216.00
104.00	12	1,248.00
190.00	17	3,230.00
18.00	12	216.00
495.00	17	8,415.00
58.00	17	986.00
305.00	17	5,185.00
90.00	17	1,530.00
900.00	21	18,900.00
104.00	17	1,768.00
18.00	17	306.00
64.00	17	1,088.00
54.00	21	1,134.00
670.00	21	14,070.00
18.00	17	306.00
104.00	17	1,768.00
190.00	21	3,990.00
18.00	17	306.00
495.00	21	10,395.00
30,295.86	67,975.00	37,679.14
167,721.00		162,757.00
232,966.00		
189,096.78	383,644.00	194,547.22

FY22-23 TOTAL PROPOSED:		279,876.00	272,712.00
ALTERNATE ITEMS:			
TOTAL OF ALTERNATE ITEMS:	2	646.00	646.00
1-GALLON NURSERY PLANT	2	11.00	11.00
5-GALLON NURSERY PLANT	3	75.00	75.00
15-GALLON NURSERY PLANT	3	200.00	200.00
FLAT, 4 ANNUAL COLOR	3	45.00	45.00
6-PACK, ANNUAL COLOR	4	55.00	55.00
FINE HARDWOOD MULCH (YD)	3	100.00	100.00
LANDSCAPE LABOR (PER HR)	3	65.00	65.00
LANDSCAPE PAVERS (SQ.FT)	4	40.00	40.00
MAN HRS DEBRIS/TRASH CAN	2	55.00	55.00

ANNUAL TOTAL PROPOSED: 377,401.00

PREVIOUS PROPOSAL:	189,096.78
FULL MGLAWN PROPOSAL	377,401.00
INCREASE:	188,304.22

SMITH LAWN
FISCAL YEAR 2022-2023 BUDGET ANALYSIS/IMPACT

ANNUAL PROPOSAL

FACILITIES/PARKS/BEDS

ORIGINAL BUDGET: 160,000
CURRENT REMAINING BUDGET: 107,344

LOCATION	RANKING IN COST	PRICE PER CYCLE	FY22-23	
			# CYCLES	TOTAL
BISD PARK	3	510.00	24	12,240.00
CAPP SMIITH PARK	3	2,190.00	24	52,560.00
FOSTER VILLAGE PARK	3	605.00	24	14,520.00
HILLVIEW PARK	3	70.00	24	1,680.00
VIRGIL ANTHONY PARK	3	335.00	24	8,040.00
WHITES BRANCH CREEK TRAIL	4	395.00	17	6,715.00
PARKS TOTAL:				95,755.00
ANIMAL CENTER	3	95.00	24	2,280.00
FIRE STATION	3	95.00	24	2,280.00
MUNICIPAL COMPLEX	4	300.00	24	7,200.00
PUBLIC WORKS COMPLEX	3	85.00	24	2,040.00
COMMUNITY CENTER	2	610.00	24	14,640.00
FACILITIES TOTAL:				28,440.00
BEDS - BUNKER BLVD	3	110.00	10	1,100.00
BEDS - FIRE STATION	2	141.00	10	1,410.00
BEDS - HWY 377	2	360.00	10	3,600.00
BEDS - MUNICIPAL COMPLEX	3	210.00	10	2,100.00
BEDS - COMMUNITY CENTER	3	215.00	10	2,150.00
BEDS TOTAL:				10,360.00
FACILITIES/PARKS/BEDS GRAND TOTAL:				134,555.00

PRICE PER CYCLE	# CYCLES	TOTAL
510.00	31	15,810.00
2,190.00	31	67,890.00
605.00	31	18,755.00
70.00	31	2,170.00
335.00	31	10,385.00
395.00	21	8,295.00
		123,305.00
95.00	31	2,945.00
95.00	31	2,945.00
300.00	31	9,300.00
85.00	31	2,635.00
610.00	31	18,910.00
		36,735.00
110.00	17	1,870.00
141.00	17	2,397.00
360.00	17	6,120.00
210.00	17	3,570.00
215.00	17	3,655.00
		17,612.00
		177,652.00

STREETS/ROW/DRAINAGE

ORIGINAL BUDGET: 45,000
CURRENT REMAINING BUDGET: 31,722

	FY22-23			
LOCATION	RANKING IN COST	PRICE PER CYCLE	# CYCLES	TOTAL
BURSEY ROAD	3	55.00	12	660.00
CHAPMAN ROAD	3	200.00	12	2,400.00
HIGHTOWER DRIVE	3	55.00	12	660.00
HWY. 377	3	650.00	17	11,050.00
INDIAN SPRNGS ROAD	4	130.00	12	1,560.00
MORRIS BLVD.	4	35.00	12	420.00
NORTH PARK DRIVE	3	70.00	12	840.00
OLD WHITLEY ROAD	3	45.00	17	765.00
PARK VISTA BLVD.	3	480.00	17	8,160.00
RIDGE VIEW DRIVE	4	35.00	12	420.00
STARNES ROAD	4	130.00	12	1,560.00
WATAUGA ROAD	3	190.00	17	3,230.00
WHISPERING LANE	4	35.00	12	420.00
WHITLEY ROAD	3	545.00	17	9,265.00
STREETS/ROW TOTAL:				41,410.00
DRAINAGE A4	3	1,795.00	6	10,770.00
DRAINAGE B1	4	1,422.00	6	8,532.00
DRAINAGE B2	3	1,416.00	6	8,496.00
DRAINAGE B3	3	1,350.00	6	8,100.00
DRAINAGE B3A	4	1,200.00	6	7,200.00
DRAINAGE C1	3	915.00	6	5,490.00
DRAINAGE C2	3	495.00	6	2,970.00
DRAINAGE C3	3	420.00	6	2,520.00
DRAINAGE D1	3	1,320.00	6	7,920.00
DRAINAGE D2	3	540.00	6	3,240.00
DRAINAGE E2	4	1,830.00	6	10,980.00
DRAINAGE E3	4	630.00	6	3,780.00
DRAINAGE F1	3	1,590.00	6	9,540.00
DRAINAGE F2	3	630.00	6	3,780.00
DRAINAGE F3	3	510.00	6	3,060.00
DRAINAGE G2	3	540.00	6	3,240.00
STARNES/LIFE TABERNACLE	4	300.00	6	1,800.00
DRAINAGE TOTAL:				101,418.00
STREETS/ROW/DRAINAGE GRAND TOTAL:				142,828.00

PRICE PER CYCLE	# CYCLES	TOTAL
55.00	17	935.00
200.00	17	3,400.00
55.00	17	935.00
650.00	21	13,650.00
130.00	17	2,210.00
35.00	17	595.00
70.00	17	1,190.00
45.00	21	945.00
480.00	21	10,080.00
35.00	17	595.00
130.00	17	2,210.00
190.00	21	3,990.00
35.00	17	595.00
545.00	21	11,445.00
		52,775.00
1,795.00	9	16,155.00
1,422.00	9	12,798.00
1,416.00	9	12,744.00
1,350.00	9	12,150.00
1,200.00	9	10,800.00
915.00	9	8,235.00
495.00	9	4,455.00
420.00	9	3,780.00
1,320.00	9	11,880.00
540.00	9	4,860.00
1,830.00	9	16,470.00
630.00	9	5,670.00
1,590.00	9	14,310.00
630.00	9	5,670.00
510.00	9	4,590.00
540.00	9	4,860.00
300.00	9	2,700.00
		152,127.00
		204,902.00

FY22-23 TOTAL PROPOSED: 277,383.00 ANNUAL TOTAL PROPOSED: 382,554.00

ALTERNATE ITEMS:

TOTAL OF ALTERNATE ITEMS:	3	646.50
1-GALLON NURSERY PLANT	3	15.00
5-GALLON NURSERY PLANT	2	60.00
15-GALLON NURSERY PLANT	4	250.00
FLAT, 4 ANNUAL COLOR	2	45.00
6-PACK, ANNUAL COLOR	3	45.00
FINE HARDWOOD MULCH (YD)	4	115.00
LANDSCAPE LABOR (PER HR)	2	65.00
LANDSCAPE PAVERS (SQ.FT)	1	6.50 LABOR ONLY
MAN HRS DEBRIS/TRASH CAN	1	45.00

PREVIOUS PROPOSAL:	189,096.78
FULL SMITH LAWN PROPOSAL	382,554.00
INCREASE:	193,457.22

FACILITIES/PARKS/BEDS

FISCAL YEAR 2022-2023

ANNUAL PROPOSAL

MGLAWN**SMITH LAWN**

109,955.00

134,555.00

144,435.00

177,652.00

STREETS/ROW/DRAINAGE

FISCAL YEAR 2022-2023

ANNUAL PROPOSAL

MGLAWN**SMITH LAWN**

162,757.00

142,828.00

232,966.00

204,902.00

TOTAL PROPOSAL

FISCAL YEAR 2022-2023

ANNUAL PROPOSAL

MGLAWN**SMITH LAWN**

272,712.00

277,383.00

377,401.00

382,554.00



AGENDA MEMORANDUM

DATE: February 23, 2026

TO: Honorable City Council Members

FROM: Bradley Fraley, Chief Information Officer

THROUGH: Sandra Gibson, City Manager

SUBJECT: Consider action to authorize the City Manager to approve new lease contracts for print management and copiers from Xerox Solutions

BACKGROUND/INFORMATION:

In March 2021, the City of Watauga entered into a 60-month agreement with Xerox Business Solutions for a print management solution to include copiers and other software (Formstack and Papercut) city-wide. At the time, the City had 13 MFP copiers and an additional 56 printers spread throughout the City, which created challenges with monitoring department usage volumes and securing departmental printer outputs. Maintenance of all these devices and supply costs were expensive. Since that time, the City has reduced its fleet to 11 MFP Copiers and 9 multi-function printers. Currently, the City's monthly lease payment for these devices is \$4,665.98 + overage charges that can vary based on the number of outputs.

With the current lease agreement set to expire, a committee made up of individuals from each department was convened to determine the best course forward. The committee determined that continuing with Xerox and entering into a new 60-month agreement to upgrade existing equipment was in the best interest of the City. Xerox has provided a new 60-month lease agreement to the City for consideration. The new agreement includes new devices with several upgrades along with continued support for our software stacks (Formstack and Papercut). The new agreements have a total monthly cost of \$4,619.37 with no additional overage fees and includes all black and white prints, color prints, supplies and service, Formstack (36 months) and Papercut (60 months). The proposal is based on pricing from the PACE Purchasing Cooperative, of which the City is currently a member and satisfies the requirements of the bidding process. The lease includes the following hardware:

- City Hall Admin 70ppm color copier (same speed as current) with BR Booklet Maker and 2/3 hole punch finisher
- Court 70ppm color copier (double speed of current) with BR Booklet Maker and 2/3 hole punch finisher
- Water Billing 55ppm color copier (10ppm upgrade)



AGENDA MEMORANDUM

- Payroll / Admin Backup C415 MFP with 42ppm color to replace an existing HP 4014 printer
- Fire Station 35ppm color copier (same speed as current) with an additional BR Booklet Maker and BR Finisher C/Z Folder
- Police CID 55ppm color copier (replaces 35ppm)
- Police Records 55ppm color copier (replaces 35ppm)
- Police Admin C415 MFP with 42ppm color replaced with the same model. Existing to be moved to Police Patrol to replace existing HP MFP M426
- Police Code C415 MFP with 42ppm color to replace the existing C405
- Police ACO C415 with 42ppm color to replace B405 (Black and White only)
- Recreation 55ppm color copier (same speed as current)
- Water Tower 1st, 3rd and 4th Floors each 55ppm color copier to replace 35ppm copiers
- Fleet C415 with 42ppm color to replace B405 (Black and White only)
- Library Work Room 55ppm color copier (10ppm upgrade)
- Library Circulation C415 MFP with 42ppm color to replace the existing C405
- Library Reference C415 MFP with 42ppm color to replace the existing C405
- Parks C415 MFP with 42ppm color to replace the existing HP InkJet printer

In addition, the proposal includes the secure printing with HID cards solution through PaperCut that the City uses to secure printouts. Based on the existing relationship with Xerox, the ongoing costs of renewal, and the upgraded equipment, approval is recommended.

FINANCIAL IMPLICATIONS:

Monies are budgeted and available in the existing budget to cover the cost of this agreement.

RECOMMENDATION/ACTION DESIRED:

Staff recommends approval of the lease agreements from Xerox Business Solutions for a 60-month term at a monthly cost of \$4,619.37.

ATTACHMENTS/ SUPPORTING DOCUMENTATION:

1. City of Watauga - MFD Sales Order Package #20438635 (1)
2. City of Watauga - Formstack Sales Order Package #20439351
3. City of Watauga - PAPER CUT & CR Sales Order Package #20442419



AGENDA MEMORANDUM

REVIEWED BY:

Frieda Buck, Purchasing Coordinator

David Berman, City Attorney

Jennifer Calvert, Finance Director

Sandra Gibson, City Manager

Linda Proskey, City Secretary

Approved as to form for inclusion on Agenda

Approved - 2/23/2026

Approved - 2/25/2026

Approved - 2/25/2026

Approved - 2/25/2026

Final Approval - 2/25/2026

CUSTOMER			SALES & SERVICE AGREEMENT				BILL TO	
CUSTOMER NAME City of Watauga			CUSTOMER NAME CITY OF WATAUGA					
ADDRESS 7105 Whitley Rd			ADDRESS 7105 WHITLEY RD					
CITY, STATE ZIP Watauga, TX 76148			CITY, STATE ZIP WATAUGA, TX 76148					
PRIMARY CONTACT PERSON Bradley Fraley	PRIMARY PHONE NUMBER 8179081002	PRIMARY EMAIL braley@cityofwataugatx.org	BILL TO CONTACT PERSON Bradley Fraley	BILL TO PHONE NUMBER 8179081002	BILL TO EMAIL braley@cityofwataugatx.org			
SALESPERSON Rozlyn Geason	CUSTOMER PURCHASE ORDER #	COMPANY REFERENCE # 20438635	SERVICE CONTRACT CONTRACT # CN43992-01	☒ Replace	MPS CONTRACT CONTRACT # CN43992-01	☒ Replace		
LEASE PAYMENT \$3,885.55 Monthly			MONTHLY SERVICE PAYMENT Included in Lease		MONTHLY MPS PAYMENT Included in Lease			
TERMS OF PAYMENT: NET THIRTY (30) DAYS FOR CASH SALE AND ALL OTHER INVOICES NET THIRTY (30) DAYS FROM DATE OF INVOICE								

PRODUCTS				
QTY	MODEL/PRODUCT #	LOCATION	DESCRIPTION	TOTAL PRICE
SEE PRODUCT SCHEDULE (SCHEDULE A)				

☒ SEE PRODUCT SCHEDULE (SCHEDULE A)		☒ SEE TRADE-IN EQUIPMENT / LEASE RETURN FORM		SUBTOTAL	
				SPECIAL SERVICES FEES	\$0.00
NOTE / ADJUSTMENT DETAILS A set of cartridges will be provided for all devices up-front				OTHER ADJUSTMENTS	\$0.00
CONTRACT TYPE		EFFECTIVE DATES			TRANSACTION TYPE
☐ CASH SALE	☐ RENTAL	TERM IN MONTHS	60 Months	Actual start date based on delivery or lease commencement.	Lease FMV(SLG)
☒ LEASE	☐ MAINTENANCE ONLY	PROPOSED START DATE			
CONTRACT TERMS					NOTES
SERVICE	MPS				
☒	☒	All parts, labor, drums and supplies; excluding paper and staples			
☐	☐	All parts and labor, including drums; excluding supplies, paper, and staples			
☐	☐	Remote Solve Opt-Out			
☐	☐	Includes other (indicate)			

CONTRACT POOLS				☒ SERVICE		☒ MPS	
POOL	MONTHLY VOLUME	OVG. RATE	MONTHLY PAYMENT	BASE FRQNCY	OVG. FRQNCY		

SERVICE FLAT RATES									
MODEL / POOL	MONTHLY INCLUDED BLACK VOLUME	BLACK OVERAGE RATE	MONTHLY INCLUDED COLOR VOLUME	COLOR OVERAGE RATE	MONTHLY INCLUDED EXTRA LONG VOLUME	COLOR EXTRA LONG RATE	MONTHLY PAYMENT	BASE FRQNCY	OVG. FRQNCY
AltaLink C8270H2	Included	n/a	Included	n/a	Included	n/a	Included in Lease	Monthly	Quarterly
AltaLink C8255H2	Included	n/a	Included	n/a	Included	n/a	Included in Lease	Monthly	Quarterly
AltaLink C8235H2	Included	n/a	Included	n/a	Included	n/a	Included in Lease	Monthly	Quarterly
Total Volume Included for all meters: 31,000									

MPS FLAT RATES									
MODEL / POOL	MONTHLY INCLUDED BLACK VOLUME	BLACK OVERAGE RATE	MONTHLY INCLUDED COLOR VOLUME	COLOR OVERAGE RATE	MONTHLY INCLUDED EXTRA LONG VOLUME	COLOR EXTRA LONG RATE	MONTHLY PAYMENT	BASE FRQNCY	OVG. FRQNCY
Xerox C415dn	Included	n/a	Included	n/a	Included	n/a	Included in Lease	Monthly	Quarterly
Xerox XEROX VERSALINK C415 COLOR MULTIFUNCTION PRINTER UP TO 42PPM DUP YCQ137630	Included	n/a	Included	n/a	Included	n/a	Included in Lease	Monthly	Quarterly
Total Volume Included for all meters: 10,000									

REMOTE SERVICE TECHNOLOGY XDA (Monitoring Only): 21 Devices Covered			PRIMARY METER CONTACT		
TECHNOLOGY CONTACT PERSON Bradley Fraley	TECH PHONE # 8179081002	TECH EMAIL braley@cityofwataugatx.org	METER CONTACT PERSON Bradley Fraley	METER PHONE # 8179081002	METER EMAIL braley@cityofwataugatx.org

Company will install an app to automatically collect device meters for contract billing and automated supply replenishment.
 Company will charge a fee per machine per overage billing cycle should customer decline meter and supply technology app installation.

QTY	MODEL / PRODUCT #	SOFTWARE & DESCRIPTION	☐	SEE SOW FOR DETAILS	TOTAL PRICE
SEE PRODUCT SCHEDULE (SCHEDULE A)					

CUSTOMER ACCEPTANCE

By executing this agreement, I acknowledge that I have read and understand this agreement and I certify that I am authorized to execute this agreement on behalf of customer. Authorized signature acknowledges terms / conditions and expiration dates or meter readings. The terms and conditions on the face and reverse side of this agreement correctly set forth the entire agreement between parties.

AUTHORIZED CUSTOMER SIGNATURE:**TITLE:****SIGNER'S NAME (PRINTED):****DATE:****COMPANY SALES:****DATE:**

Sales & Service Terms and Conditions

1. **Definitions.** The first page of this Sales & Service Agreement is referred to herein as the "Cover Page." The Cover Page, these Terms and Conditions, any Schedules (e.g., a Product Schedule), Statements of Work ("SOW"), and/or any other attachments referenced on the Cover Page or attached hereto and incorporated herein represent the agreement (the "Agreement") between Company and the Customer ("Parties") as identified on the Cover Page of this Agreement, with respect to the acquisition of those Products and/or Services. "Products" shall mean the equipment ("Equipment") and any Software ("Application Software") identified on the Cover Page and/or on a Product Schedule.

2. **Scope.** This Agreement may be executed for:

a) A SALE of Products. If a SALE, Company hereby offers to sell/license and Customer hereby accepts to purchase/license those Products in the quantity and for the price indicated on the Cover Page (and/or Product Schedule). Payment terms are set forth in Section 7, below. Title to the Equipment will transfer to Customer upon delivery;

b) A LEASE of Products. If a LEASE, Customer will execute a separate lease agreement which will fund the purchase/license of the Products in the quantity indicated on the Cover Page (and/or Product Schedule) for the benefit of Customer. The lease will be between (i) Customer and a third-party lessor or (ii) Customer and Company, which Company shall then assign to a third-party lessor (each a "Lessor"). Nothing herein shall alter, amend, or affect Customer's or Lessor's rights or obligations pursuant to such lease. Upon execution of a lease agreement between Customer and Lessor, Customer shall be responsible to Lessor to satisfy the terms and conditions of the lease;

c) A RENTAL of Products. If a RENTAL, Company hereby offers to rent and Customer hereby accepts to pay for those Products in the quantity and for the price indicated on the Cover Page (and/or Product Schedule). Payment terms are set forth in Section 7, below. Title will remain with Company throughout the Term as indicated on the Cover Page. Customer agrees to obtain adequate insurance coverage sufficient to cover the full replacement value of the rental equipment while in Customer's possession, and to have Company named as the loss payee. Unless otherwise stated in the Cover Page, the rental is non-cancellable for the stated term; and/or

d) An ACQUISITION of SERVICES. Services may include those Services referenced in Section 4 of this Agreement and/or such additional Services outlined in one or more SOWs or Schedules attached hereto. Payment terms for Services shall be in accordance with Section 7, below.

3. **Delivery and Installation.** Unless specified otherwise on the Cover Page, for any Sale, Lease, or Rental, Company shall deliver and install the Products at the location specified by Customer on the Cover Page and/or Product Schedule unless: (1) Customer has not made available at that address a suitable place of installation as specified by the Company; or (2) Customer has not made available suitable electrical service in accordance with the Underwriter's Lab ("UL") or manufacturer's requirements. All risk of loss will transfer to the Customer upon delivery. Customer will be responsible for nonstandard delivery charges. Relocation of Products to a location other than that specified on the Cover Page and/or Product Schedule requires Company's consent and may result in fees or increased rates.

4. **Services.** This Agreement covers both the labor and materials for adjustments, repairs, and replacement of parts necessitated by normal use of the Equipment. Unless otherwise stated on the Cover Page, Services do not include the following: (a) repairs due to (i) misuse, neglect, or abuse (including, without limitation, improper voltage or use of supplies that do not conform to the manufacturers' specifications), (ii) use of options, accessories, products, supplies not provided by Company; (iii) non-Company alterations, relocation, or service; and/or (iv) loss or damage resulting from accidents, fire, water, or theft; (b) maintenance requested outside Company's normal business hours or this Agreement, (c) relocation, (d) software or connected hardware, (e) hard drive replacement, (f) MICR Toner for Laser Printers, and parts and labor for all non-laser printers, and/or (g) parts for Scanners. Company reserves the right, at its sole discretion, to replace Equipment with Equipment of similar or better conditions and features, rather than providing on-site Service support. Replacement parts may be new, reprocessed, or recovered. Supplies provided by Company are in accordance with the copy volumes set forth on the Cover Page and within the manufacturer's stated yields, and do not include staples or paper. Supplies are to be used exclusively for the Equipment and remain Company property until consumed. Customer will return, or allow Company to retrieve, any unused supplies at the termination or expiration of this Agreement. Customer is responsible for the cost of excess supplies. Supplies will be shipped to Customer via UPS Ground, or another method selected by Company. Unless otherwise stated herein, Customer will be billed for shipping, including, but not limited to, UPS Ground, Overnight, and/or Messenger Service per billing period or per shipment based on number of products. Additional fees may be charged for Services provided outside Company's standard business hours or for computer/network issues and will be at Company hourly rates in effect at the time of such Services. Equipment may be supported and serviced using data that is automatically collected by Company from the Equipment via electronic transmission from the Equipment to a secure off-site location. Examples of automatically transmitted data include product registration, meter read, supply level, Equipment configuration and settings, software version, and problem/fault code data. All such data will be transmitted in a secure manner specified by Company. The automatic data transmission capability does not permit Company to read, view or download any Customer data, documents or other information residing on or passing through the Equipment or Customer's information management systems. Services may be delivered by Company's Affiliates and/or Subcontractors, at Company's sole discretion. Unless otherwise stated on the Cover Page, Company may charge and Customer shall pay a charge for each instance in which Customer declines Company's use of remote technology to provide Services. Unless otherwise agreed to in writing, Customer remains solely responsible to secure any sensitive data and permanently delete such data from the internal media storage prior to removal of Equipment or termination of this Agreement. Company has no obligation to maintain Equipment beyond the "End of Service" for that particular model of Equipment. End of Service ("EOS") means the date announced by manufacturer after which Company will no longer offer Services for a particular Equipment model. Company reserves the right to discontinue Service upon thirty days written notice for any Equipment for which parts and/or Supplies are no longer available, or are not available on commercially reasonable terms.

5. **Meter; Electric Services.** Equipment is required to be connected to a remote transmission tool, which will periodically communicate meter reads as well as other device diagnostic data and upon which invoices will be based. If a remote transmission tool is not installed and otherwise upon request, you will provide us, by telephone, email, web submission, or fax with the actual meter readings three days prior to your due date. We may estimate the number of images used if such meter readings are not communicated to Company. The estimated charge for excess images shall be adjusted upon receipt of actual meter readings. If you do not maintain remote transmission, the Company reserves the right to charge you a per device fee for such affected Equipment due to the increased service visits that will be required in order to: (x) obtain such information, (y) provide such transmissions and (z) provide such Maintenance Services and Consumable Supplies that otherwise would have been provided remotely and/or proactively. If you elect to not install a remote transmission tool, the contract is subject to the unconnected device charge outlined on the Company's currently published fee schedule. You agree to provide adequate space without charge for the Equipment, adequate electricity (including, if necessary, a dedicated 110 or 220-volt line), an electrical surge suppressor with a UL-1449 rating or better, and reasonable storage for supplies to be used with the Equipment.

6. **Additions and Modifications.** If, at any time during the Term, Customer upgrades, modifies, or adds equipment that utilizes the same Supplies as the Equipment, Customer shall promptly notify Company. Company maintains the right to inspect any upgrades and modifications to Equipment and/or additional equipment and determine whether equipment is eligible for Services. If approved for Services and agreed by the Parties, the Agreement will be amended to include such changes, including pricing modifications. All networked devices must be set up with our monitoring app for meters and Supplies. Any devices not under contract will be added automatically to the account for the listed rate. If our monitoring software is not reporting, Customer must work with us to resolve the issue as soon as possible.

7. **Term and Payment.** Except as may otherwise be provided for herein, this Agreement is non-cancellable and shall remain in effect throughout the Term; and, unless notified in writing sixty (60) days prior to its expiration, this Agreement shall automatically renew for twelve (12) months. Company reserves the right to terminate Services upon thirty (30) days written notice. In the event the fees herein are included in Customer's lease payment, the Term shall run concurrently with the lease agreement and be subject to the renewal provisions provided for therein. The meter count at installation or, in the case of owned printers, at assessment, will be used for meter/overages calculations. Customer agrees to pay Company all amounts due within thirty (30) days of the date of Company's invoice or, if the parties have agreed the third-party lessor will collect the Services fees due under this Agreement on behalf of Company, in accordance with the applicable lease agreement, and all other sums when due and payable. Except where the Cover Page denotes flat rate pricing, any Monthly Payment entitles Customer to Services and Supplies for a specific number and type (i.e. black & white, color, scan) of Prints/Copies as identified on the Cover Page and will be billed in advance, and Customer agrees to pay the Overage Rate for each Print/Copy that exceeds the applicable number and type of Prints/Copies provided in the Minimum Monthly Payment which amount shall be billed in arrears and is payable as indicated on the Cover Page. A Print/Copy is defined as standard 8.5"x11" copy, except where Equipment is designated on the Cover Page as having a Color Large impression pool (Color LG) and an Extra Long impression pool (XL IMP Color), in which case prints/copies are defined as follows: (a) **Black Image:** for sheet sizes up to 13"x19", each image calculates as (1) Black Print Meter; (b) **Color Image:** for sheet sizes less than 145 square inches in total area, each image calculates as (1) Color Print Meter (e.g., 8.5 x 14 in is NOT oversize (119sq. in)); (c) **Color Large:** for sheet sizes greater than or equal to 145 square inches each sheet calculates as (1) Color Print Meter and (1) Color Large Print Meter (e.g., 11 x 17 in is oversize (187 sq. in)); and (d) **Black and Color Extra Long:** for sheets with a length greater than 19.33", each image calculates as (2) Extra Long Meter and (1) Color Print Meter. No credit will be applied towards unused copies/prints. Customer's obligation to pay all sums when due shall not be subject to any abatement or offset. If any payment is not received by Company within fifteen (15) days of its due date, Company may charge, and Customer will pay a late fee of 5% of the amount due or \$25, whichever is greater (or such lesser rate as is the maximum allowable by law). Company has the right to withhold Services and Supplies, without recourse, for any non-payment. Unless otherwise stated on the Cover Page, Company may, on an annual basis, (a) increase the Base Charge and/or the Overage Rates, in an amount not to exceed 20% per annum and/or (b) where a contract is subject to flat rate pricing, shift Customer's obligation to the applicable flat rate band corresponding to Customer's usage during the previous calendar year. Company retains the right to have all or some of the amounts due hereunder billed and/or collected by third parties. If Customer declines invoice delivery via email and/or automatic payment withdrawal, or requires any specialized billing procedure or invoicing, Company reserves the right to bill an administrative fee, in accordance with Company's currently published fee schedule, which is subject to change from time to time.

8. **Taxes.** Payments are exclusive of all state and local sales, use, excise, privilege and similar taxes, if any. You will be responsible for, indemnify and hold Company harmless from, all applicable taxes, fees or charges (including sales, use, personal property and transfer taxes (other than net income taxes), plus interest and penalties) assessed by any governmental entity on you, the Equipment, this Agreement, or the amounts payable hereunder (collectively, "Taxes"), unless you timely provide continuing proof of your tax exempt status. Customer will pay when due, either directly to the taxing authority or to Company upon demand, all taxes, fines and penalties relating to this Agreement that are now or in the future assessed or levied, except for taxes levied upon Company's income.

9. **Applicable Laws.** Both Parties agree that they will comply with all applicable laws and regulations during the Term.

10. **Limited License to Use Software.** Company grants (and is authorized by its licensor's to grant) Customer a non-exclusive, non-transferable license to use in the U.S.: (a) software and accompanying documentation ("Base Software") only with the Equipment with which it was delivered; and (b) Software that is set forth as a separate line item in this Agreement ("Application Software") (including its accompanying documentation), as applicable, for as long as Customer is current in the payment of all applicable software license fees. "Base Software" and "Application Software" are referred to collectively as "Licensed Software". Customer has no other rights and may not: (1) distribute, copy, modify, create derivatives of, decompile, or reverse engineer Licensed Software; (2) activate Licensed Software delivered with the Equipment in an inactivated state; or (3) allow others to engage in same. Title to, and all intellectual property rights in, Licensed Software will reside solely with Company and/or its licensors (who will be considered third-party beneficiaries of this Section). Licensed Software may contain code capable of automatically disabling the Equipment. Disabling code may be activated if: (x) Company is denied access to periodically reset such code; (y) Customer is notified of a default under this Agreement; or (z) Customer's license is terminated or expires. The Base Software license will terminate: (i) if Customer no longer uses or possesses the Equipment; or (ii) upon the expiration or termination of this Agreement, unless Customer has exercised its option to purchase the Equipment. Neither Company nor its licensors warrant that Licensed Software will be free from errors or that its operation will be uninterrupted. The foregoing terms do not apply to Diagnostic Software or to Licensed Software/documentation accompanied by a clickwrap or shrinkwrap license agreement or otherwise made subject to a separate license agreement.

11. **Diagnostic Software.** Software used to evaluate or maintain the Equipment ("Diagnostic Software") is included with the Equipment. Diagnostic Software is a valuable trade secret of Company or its Licensors. Title to Diagnostic Software will remain with Company or its licensors. Company does not grant Customer any right to use Diagnostic Software, and Customer will not access, use, reproduce, distribute or disclose Diagnostic Software for any purpose (or allow third parties to do so). Customer will allow Company reasonable access to the Equipment to remove or disable Diagnostic Software if Customer is no longer receiving Service from Company, provided that any on-site access to Customer's facility will be during Customer's standard business hours.

12. **Software Support.** Except for Application Software identified as "No Svc." on the Cover Page, Company (or a designated servicer) will provide the software support set forth below ("Software Support"). For Base Software for Equipment, Software Support will be provided during the initial Term and any renewal period but in no event longer than 5 years after Company stops taking customer orders for the subject model of Equipment. For Application Software, Software Support will be provided as long as Customer is current in the payment of all applicable software license and support fees. Company will maintain a web-based or toll-free hotline during Company's standard working hours to report Licensed Software problems and answer Licensed Software-related questions. Company, either directly or with its vendors, will make reasonable efforts to: (a) assure that Licensed Software performs in material conformity with its user documentation; (b) provide available workarounds or patches to resolve Licensed Software performance problems; and (c) resolve coding errors for (i) the current Release and (ii) the previous Release for a period of 6 months after the current Release is made available to Customer. Company will not be required to provide Software Support if Customer has modified the Licensed Software. New releases of Licensed Software that primarily incorporate compliance updates and coding error fixes are designated as "Maintenance Releases" or "Updates". Maintenance Releases or Updates that Company may make available will be provided at no charge and must be implemented within six months. New releases of Licensed Software that include new content or functionality ("Feature Releases") will be subject to additional license fees at then-current pricing. Maintenance Releases, Updates and Feature Releases are collectively referred to as "Releases". Each Release will be considered Licensed Software governed by the Software License and Licensed Software Support provisions of this Agreement (unless otherwise noted). Implementation of a Release may require Customer to procure, at Customer's expense, additional hardware and/or software from Company or another entity. Upon installation of a Release, Customer will return or destroy all prior Releases.

13. **INTELLECTUAL PROPERTY.**

- a. **CUSTOMER'S CONTENT AND CUSTOMER ASSETS.** Customer represents and warrants that it owns the customer assets and its content and materials provided to Company in connection with this Agreement or otherwise has the right to authorize Company to perform the Services hereunder. Customer represents and warrants that such content and materials do not, and shall not, contain any content that (i) is libelous, defamatory or obscene and/or (ii) infringes on or violates any applicable laws, regulations or rights of a third party, including without limitation, export laws, or any proprietary, intellectual property, contract, moral or privacy right or any other third party right.
- b. **XEROX TOOLS.** "Xerox Tools" means certain Xerox proprietary tools (including any modifications, enhancements and derivative works) used by Company to provide certain Services Xerox and its licensors will at all times retain all right, title and interest in and to Xerox Tools including without limitation, all intellectual property rights therein, and, except as expressly set forth herein or as set forth in a SOW where limited access to the Xerox Device Manager (XDM) may be granted for a specific purpose, no rights to use, access or operate the Xerox Tools are granted to Customer. Xerox Tools will be installed and operated only by Company or its authorized agents. If required for royalty reporting purposes, Company may disclose Customer's name and address to Xerox and/or the third-party licensor of certain Xerox Tools. Customer will not decompile or reverse engineer any Xerox Tools or allow others to do so. Customer will have access to reports generated by the Xerox Tools and stored in a provided database as set forth in the applicable SOW. Company may remove Xerox Tools at any time in Company's sole discretion, provided that the removal of Xerox Tools will not affect Company's obligations to perform Services, and Customer shall reasonably facilitate such removal. If Xerox Tools are included as part of the Services, they may be used by Customer only in conjunction with such Services.
- c. **LIMITED LICENSE TO ASSESSMENTS AND REPORTS.** Customer may duplicate and distribute assessments and/or reports prepared by Company pursuant to this Agreement only for Customer's internal business purposes. Any recommendations and processes described in assessments and/or reports may only be implemented by Company for Customer and, if implemented, used by Customer only for Customer's internal business purposes.
- d. **NO GRANTS TO CUSTOMER.** Customer agrees that, except as set forth expressly in this Agreement, no other rights or licenses are granted to Customer. Further, the rights granted to Customer in this Section shall immediately terminate if Customer defaults hereunder with respect to any of its obligations related to such grant.
14. **CONFIDENTIAL INFORMATION.** Information exchanged under this Agreement will be treated as confidential if it is identified as confidential at disclosure or if the circumstances of disclosure would indicate to a reasonable person that the information should be treated as confidential ("Confidential Information"). The terms and conditions of this Agreement are Confidential Information of Company and Customer, and each party agrees not to disclose any of the foregoing without the other party's prior written consent. Confidential Information will be protected using a reasonable degree of care to prevent unauthorized use or disclosure for two (2) years from the termination or expiration of this Agreement under which such Confidential Information was disclosed, whichever occurs later; provided, however, confidentiality with respect to trade secrets and Xerox Tools will not expire. These obligations of confidentiality will not apply to any Confidential Information that: (1) was in the public domain prior to, at the time of, or subsequent to the date of disclosure through no fault of the receiving party; (2) was rightfully in the receiving party's possession or the possession of any third party free of any obligation of confidentiality; (3) was developed by the receiving party's employees independently of and without reference to any of the other party's Confidential Information; or (4) where disclosure is required by law or a government agency. Upon expiration or termination of this Agreement, each party will return to the other or, if requested, destroy, all Confidential Information of the other in its possession or control, except such Confidential Information as may be reasonably necessary to exercise rights that survive termination of this Agreement.
15. **Warranty.** Customer acknowledges that the Products covered by this Agreement were selected by Customer based upon its own judgment. Company shall pass through any applicable manufacturer's warranty to Customer. COMPANY MAKES NO REPRESENTATIONS OR WARRANTIES, EXPRESS OR IMPLIED, ORAL OR WRITTEN, INCLUDING, WITHOUT LIMITATION, IMPLIED WARRANTIES OF NON-INFRINGEMENT; IMPLIED WARRANTIES OF MERCHANTABILITY; OR FITNESS FOR A PARTICULAR PURPOSE, ALL OF WHICH ARE SPECIFICALLY AND UNRESERVEDLY EXCLUDED.
16. **LIMITATION OF LIABILITY.** IN NO EVENT SHALL EITHER PARTY BE LIABLE FOR ANY INDIRECT, SPECIAL, INCIDENTAL, CONSEQUENTIAL DAMAGES, INCLUDING WITHOUT LIMITATION LOSS OF PROFITS, OR PUNITIVE DAMAGES WHETHER BASED IN CONTRACT, TORT, OR ANY OTHER LEGAL THEORY AND IRRESPECTIVE OF WHETHER EITHER PARTY HAS NOTICE OF THE POSSIBILITY OF SUCH DAMAGES. IN NO EVENT SHALL COMPANY BE LIABLE TO CUSTOMER FOR ANY DIRECT DAMAGES IN EXCESS OF THE FEES PAID FOR SERVICES UNDER THIS AGREEMENT BY CUSTOMER TO COMPANY DURING THE SIX-MONTH PERIOD IMMEDIATELY PRECEDING THE EVENT THAT GAVE RISE TO THE CLAIM.
17. **Default; Remedies.** Any of the following events or conditions shall constitute an Event of Default under this Agreement: (a) failure by Customer to make payment when due of any indebtedness to Company or for the Products, whether or not arising under this Agreement, without notice or demand by Company; (b) breach by Customer of any obligation herein; or (c) if Customer ceases doing business as a going concern. If Customer defaults, Company may: (1) require future Services, including Supplies, be paid for in advance, (2) require Customer to immediately pay the amount of the remaining unpaid balance of the Agreement, (3) terminate any and all agreements with Customer, and/or (4) pursue any other remedy permitted at law or in equity. In the Event of Default, remaining payment amounts due will be calculated using the average of the last six months' billing or the amount set forth on the face of the Agreement, whichever is greater, multiplied by the remaining months of the Agreement, to compensate for loss of bargain and not as a penalty. Customer agrees that any delay or failure of Company to enforce its rights under this Agreement does not prevent Company from enforcing any such right at a later time. All of Company's rights and remedies survive the termination of this Agreement. In the event of a dispute arising out of this Agreement or the Products listed herein, should it prevail, Company shall be entitled to collection of its reasonable costs and attorneys' fees incurred in defending or enforcing this Agreement, whether or not litigation is commenced.
18. **Assignment.** Customer may not sell, transfer, or assign this Agreement without the prior written consent of Company. Company may sell, assign or transfer this Agreement.
19. **Notices.** All notices required or permitted under this Agreement shall be by overnight courier such party at the address set forth in this Agreement, or at such other address as such party may designate in writing from time to time. Any notice shall be effective two (2) days after it has been sent via overnight courier.
20. **Indemnification.** Each party, if promptly notified by the other and given the right to control the defense, shall indemnify, defend and hold harmless the other party, its affiliates, and their respective officers, directors, employees, agents, successors and assigns, from and against all claims by a third party for losses, damages, costs or liability of any kind (including expenses and reasonable legal fees) that a court finally awards such party ("Claims") for bodily injury (including death) and damage to real or tangible property, to the extent proximately caused by the negligent acts or omissions, or willful misconduct of the indemnifying party (or its affiliates) in connection with this Agreement.
21. **Fax/Electronic Execution.** A faxed or electronically transmitted version of this Agreement may be considered the original and Customer will not have the right to challenge in court the authenticity or binding effect of any faxed or scanned copy or signature thereon. This Agreement may be signed in counterparts and all counterparts will be considered and constitute the same Agreement.
22. **Warranty to Execute.** Each party represents and warrants to the other, as an essential part of this Agreement, that: (i) it is duly organized and validly existing and in good standing under the laws of the state of its incorporation or formation; (ii) this Agreement has been duly authorized by all appropriate corporate action for signature; and (iii) the individual signing this Agreement is duly authorized to do so.
23. **Miscellaneous.** (a) Choice of Law. This Agreement shall be governed by the laws of the state of TX (without regard to conflict of laws principles); (b) Jury Trial. THE PARTIES EXPRESSLY WAIVE TRIAL BY JURY AS TO ALL ISSUES ARISING OUT OF OR RELATED TO THIS AGREEMENT; (c) Entire Agreement. This Agreement constitutes the entire agreement between the parties with regards to the subject matter herein and supersedes all prior agreements, proposals or negotiations, whether oral or written; (d) Enforceability. If any provision of this Agreement is unenforceable, illegal or invalid, the remaining provisions will remain in full force and effect; (e) Amendments. This Agreement may not be amended or modified except by a writing signed by the parties; provided Customer agrees that Company is authorized, without notice to Customer, to supply missing information or correct obvious errors provided that such change does not materially alter Customer's obligations; (f) Force Majeure. Company shall not be responsible for delays or inability to provide Products or Services caused directly or indirectly by strikes, accidents, climate conditions, parts availability, unsafe travel conditions, or other reasons beyond Company's control.

PRODUCT SCHEDULE (SCHEDULE A)

This Product Schedule/Schedule A is attached to and becomes part of the Agreement.

PRODUCTS								
QTY	MFG / MODEL	DESCRIPTION	ID#	SERIAL NUMBER	STARTING BLACK METER	STARTING COLOR METER	ADDRESS	METER POOLS
1	AltaLink C8235H2	AltaLink C8235H2 with BR BOOKLET MAKER Finisher w/ 2/3 Hole Punch (BRFB-81), 1-Line Fax (FAX-1LINE), BR Finisher C/Z Folder (CZFOLD81)					CITY OF WATAUGA 5909 HIGHTOWER DR WATAUGA, TX 76148	B&W: Flat Rate Color: Flat Rate
2	AltaLink C8270H2	AltaLink C8270H2 with BR BOOKLET MAKER Finisher w/ 2/3 Hole Punch (BRFB-81), 1-Line Fax (FAX-1LINE)					CITY OF WATAUGA 7105 WHITLEY RD WATAUGA, TX 76148	B&W: Flat Rate Color: Flat Rate
1	Xerox C415dn	Xerox C415dn with 550-Sheet Paper Tray with integrated 100-Sheet Bypass Tray (YZR), Printer Stand (ZDV)					CITY OF WATAUGA 7105 WHITLEY RD WATAUGA, TX 76148	B&W: MPS Flat Rate Color: MPS Flat Rate
1	Xerox C415dn	Xerox C415dn with 550-Sheet Paper Tray with integrated 100-Sheet Bypass Tray (YZR), Printer Stand (ZDV)					CITY OF WATAUGA 7101 WHITLEY RD WATAUGA, TX 76148	B&W: MPS Flat Rate Color: MPS Flat Rate
2	Xerox C415dn	Xerox C415dn with 550-Sheet Paper Tray with integrated 100-Sheet Bypass Tray (YZR), Printer Stand (ZDV)					CITY OF WATAUGA 7109 WHITLEY RD WATAUGA, TX 76148	B&W: MPS Flat Rate Color: MPS Flat Rate
1	Xerox C415dn	Xerox C415dn with 550-Sheet Paper Tray with integrated 100-Sheet Bypass Tray (YZR)					CITY OF WATAUGA 7101 WHITLEY RD WATAUGA, TX 76148	B&W: MPS Flat Rate Color: MPS Flat Rate
3	AltaLink C8255H2	AltaLink C8255H2 with Office Finisher (OFC-81), 1-Line Fax (FAX-1LINE), Hole Punch (2/3 Hole) for Office Finisher (OFC-HPKIT)					CITY OF WATAUGA 7800 VIRGIL ANTHONY BLVD WATAUGA, TX 76148	B&W: Flat Rate Color: Flat Rate
1	Xerox C415dn	Xerox C415dn					CITY OF WATAUGA 7800 VIRGIL ANTHONY BLVD WATAUGA, TX 76148	B&W: MPS Flat Rate Color: MPS Flat Rate
1	AltaLink C8255H2	AltaLink C8255H2 with Office Finisher (OFC-81), 1-Line Fax (FAX-1LINE), Hole Punch (2/3 Hole) for Office Finisher (OFC-HPKIT)					CITY OF WATAUGA 7105 WHITLEY RD WATAUGA, TX 76148	B&W: Flat Rate Color: Flat Rate
1	AltaLink C8255H2	AltaLink C8255H2 with BR BOOKLET MAKER Finisher w/ 2/3 Hole Punch (BRFB-81), 1-Line Fax (FAX-1LINE), Hole Punch (2/3 Hole) for Office Finisher (OFC-HPKIT), BR Finisher C/Z Folder (CZFOLD81)					CITY OF WATAUGA 7109 WHITLEY RD WATAUGA, TX 76148	B&W: Flat Rate Color: Flat Rate
1	AltaLink C8255H2	AltaLink C8255H2 with BR BOOKLET MAKER Finisher w/ 2/3 Hole Punch (BRFB-81), 1-Line Fax (FAX-1LINE), Banner Feed Kit (BANFEEDKT)					CITY OF WATAUGA 7901 INDIAN SPRINGS RD WATAUGA, TX 76148	B&W: Flat Rate Color: Flat Rate
2	AltaLink C8255H2	AltaLink C8255H2 with Office Finisher (OFC-81), 1-Line Fax (FAX-1LINE), Hole Punch (2/3 Hole) for Office Finisher (OFC-HPKIT)					CITY OF WATAUGA 7101 WHITLEY RD WATAUGA, TX 76148	B&W: Flat Rate Color: Flat Rate

1	Xerox C415dn	Xerox C415dn with 550-Sheet Paper Tray with integrated 100-Sheet Bypass Tray (YZR)					CITY OF WATAUGA 5633 LINDA DRIVE WATAUGA, TX 76148	B&W: MPS Flat Rate Color: MPS Flat Rate
1	Xerox C415dn	Xerox C415dn					CITY OF WATAUGA 5203 WATAUGA RD WATAUGA, TX 76137	B&W: MPS Flat Rate Color: MPS Flat Rate
1	Xerox XEROX VERSALINK C415 COLOR MULTIFUNCTION PRINTER UP TO 42PPM DUP	(Service Only)	EQ421570	YCQ137630	1589	4662	7101 WHITLEY RD	Color: MPS Flat Rate

CUSTOMER ACCEPTANCE			
<i>By executing this agreement, I acknowledge that I have read and understand this agreement and I certify that I am authorized to execute this agreement on behalf of customer. Authorized signature acknowledges terms / conditions and expiration dates or meter readings. The terms and conditions on the face and reverse side of this agreement correctly set forth the entire agreement between parties.</i>			
AUTHORIZED CUSTOMER SIGNATURE: SIGNER'S NAME (PRINTED):			TITLE:
			DATE:
COMPANY SALES:			DATE:

XEROX® ADVANCED MANAGED PRINT SERVICES STATEMENT OF WORK

THIS XEROX® ADVANCED MANAGED PRINT SERVICES STATEMENT OF WORK ("AMPS SOW" or "this SOW") is hereby attached to and made a part of the SSA and/or MSA ("**Agreement**") entered into by and between Xerox Business Solutions, LLC ("**Company**") and City of Watauga ("**Customer**"), collectively the "**Parties**", to add the AMPS as further described herein. The effective date of this AMPS SOW is 02/23/2026. Except as expressly set forth herein, the Agreement's terms and conditions are incorporated herein and shall govern the provision of AMPS pursuant to this AMPS SOW.

1. **DEFINED TERMS** - Terms defined within the Agreement and used herein shall have the meaning set forth in the Agreement unless expressly set forth otherwise below.

Company – Refers to the Company identified in the Agreement and referenced above, and operationally may include or refer to its affiliates executing Services on its behalf.

In-Scope AMPS Equipment – AMPS-Eligible Equipment installed in the Sites and managed by Company as defined by the Xerox Tools under this AMPS SOW.

Xerox® Advanced Managed Print Services (AMPS) – Services provided by Company under this XPSAS SOW on In-Scope AMPS Equipment, which include proactive meter reads, proactive Supplies requests, and proactive break/fix requests.

Xerox® Support Assistant – An app running on a Xerox ConnectKey printer that shows the user the status of AMPS Incidents, and enables the user to raise new Incidents or submit meter reads into the AMPS process.

2. **SERVICES DESCRIPTION** – AMPS provides proactive meter reads, proactive Supplies requests, and proactive break/fix requests for In-Scope AMPS Equipment.

- a. Company shall operate the Xerox's Service Desk Support during Company's normal business hours on Company's business days. Service Desk Support includes receipt of Service Calls by service provider. Service Calls may be generated from automatic alerts from In-Scope Devices (**Proactive Service Call**) or from the web portal by a Customer or Reseller or by telephone (**Reactive Service Call**).
- b. To enable Company to provide the expected proactive Services and Supplies, Customer agrees to the use of a monitoring tool (see Xerox Tools). Customer ensures the selected tool continues to run and/or connects to their network and devices. Company is available for technical support of that tool, and the operation and maintenance of any Cloud component.
- c. If the chosen device management solution is Xerox Workplace Cloud Fleet Management ('CFM'), then by agreeing to this AMPS SOW You also agree to terms as defined in the following end user licensing agreement, as well as any periodic updates thereto, relating to the use of Xerox Tools to deliver the AMPS covered in this AMPS SOW. Company and/or Xerox Corporation reserve the right to update these terms at any time.

www.xerox.com/downloads/usa/en/x/XWC-and-CFM-Terms-of-Service-and-EULA.pdf

For other solutions, Terms and Conditions will be presented in the tool User Interface itself during implementation.

3. **XEROX TOOLS** - Company may utilize one or more of the following Xerox Tools to provide AMPS:

- a. Xerox Workplace Cloud Fleet Management solution ("CFM") – software that provides device data for monitoring of supplies, break/fix and meters and allows policy-based compliance to automate print fleet security; remote setting configuration; and security, patch and password management.
- b. Xerox Device Agent ("XDA") is an application that enables the monitoring and assessment of the status and output of In-Scope Devices.
- c. Xerox Device Manager ("XDM") - an application that enables the monitoring and assessment of the status and output of In-Scope Devices.
- d. Xerox Device Direct ("XDD") - an application is embedded in the firmware of certain devices that allows In-Scope AMPS Equipment to automatically communicate Device Data to Xerox for monitoring purposes.
- e. Xerox Services Manager ("XSM") – a Web-based application providing Company with data enabling centralized asset tracking; device and supplies monitoring; and break/fix incident management.

- f. Xerox Report Manager ("XRM") - an application that allows standard and custom reporting from XSM.
- g. Fleet Management Portal ("FMP") - an online portal that provides program and device status and analytics.
- h. Xerox MPS Advanced Analytics ("MPS AA") - a cloud-based reporting tool that presents data in a business intelligence format

- 4. **TERM** - Unless otherwise stated herein or in the Agreement, the term of this AMPS SOW shall be the same as the Term of the Agreement.
- 5. **CHARGES** – Charges for AMPS are set forth in the signed Agreement to which this AMPS SOW is attached and are exclusive of any and all applicable Taxes.
- 6. **CHANGES** – To the extent that the Parties wish to add or make modifications to this AMPS SOW, all such changes will be documented in a AMPS SOW Amendment signed by both Parties.

7. ADDITIONAL TERMS AND CONDITIONS SPECIFIC TO AMPS SOW –

- a. **ADDITIONAL WARRANTY DISCLAIMER** – IN ADDITION TO THE WARRANTIES AND DISCLAIMERS IN THE AGREEMENT, THE FOLLOWING SHALL APPLY TO AMPS: EXCEPT AS STATED IN THE AGREEMENT, COMPANY EXPRESSLY DISCLAIMS ALL WARRANTIES, EXPRESS AND IMPLIED, REGARDING THE PERFORMANCE OF AMPS , AND COMPANY DOES NOT WARRANT THAT AMPS WILL BE COMPATIBLE WITH ALL OF CUSTOMER’S SOFTWARE, OR WILL MEET CUSTOMER’S REQUIREMENTS, OR WILL BE ERROR FREE.

If there is a conflict between the contents of the Agreement and this AMPS SOW, this SOW shall control but only with respect to the provision of AMPS.

The terms and conditions of this AMPS SOW apply only to the provision of the AMPS, and do not affect, amend, or modify any of the provision of any other Services under the Agreement.

*** Signature Page Follows ***

Xerox Business Solutions, LLC	City of Watauga
Print Name: _____	Print Name: _____
Print Title: _____	Print Title: _____
Sign: _____	Sign: _____
Date: _____	Date: _____

Appendix 1 - Service Desk Support Activities - Table One

Activity	Service Desk Support Xerox/XBS
Receive and log Service Call in Fleet Management Portal (FMP)	✓
Monitor Proactive Service alerts *** on network connected compliant In-Scope Devices with fault reporting capability	✓
Collect and log Call Data*	✓
Undertake basic diagnosis including web troubleshooting processes via Remote Call Assist (RCA) where the In Scope Device contains features that enable remote diagnosis and repair of problems and log activity	✓
Validate requests for consumables against entitlement, e.g., volume and order history	✓
Escalation to Level 2 Support within XSM with Call Data if RCA is unsuccessful	✓
Arrange shipment of Consumable to Customer	✓
Arrange advanced remote diagnosis with Customer upon Service Call using RCA and log activity on XSM	✓
Follow up daily on progress of Service Call (Level One Support/Level Two Support follow up on the tickets owned at that stage)	✓
Log activities on open ticket on XSM (by the Level that owns the ticket at that stage)	✓
Close ticket (by the Level that owns the ticket at that stage)	✓

* **Call Data** means Asset Tag Number (required); Serial Number (required); Customer Service Centre/Customer end user name (required); Customer Service Centre/Customer end user contact number; (required); Incident statement (required); Fault Type (required where break fix incident), Customer Service Centre/Customer end user email address; Device location; Internal reference number (if applicable); and meter reads. Call Data is Customer Data

Assumptions:

*** Advanced MPS Services, pro-active supplies and break/fix support, proper functioning of and data availability for the Xerox Tools and performance levels are dependent on active monitoring tools, such as XDA, XDM, XDD or CFM. It's the Customer's responsibility to keep such tools connected to the in-scope devices.

TRADE-IN EQUIPMENT / LEASE RETURN FORM

This Form is attached to and becomes part of the Agreement between the Company and the undersigned Customer.

RETURN TO COMPANY		LEASE CONTRACT #	SALES REP
PEAC (XFS/Marlin Legacy)		211-4132462-001	Rozlyn Geason
BILL TO		CONTACT	
CUSTOMER #	CO60	CONTACT	Bradley Fraley
CUSTOMER NAME	CITY OF WATAUGA	PHONE	8179081002
ADDRESS	7105 WHITLEY RD WATAUGA, TX 76148	EMAIL	braley@cityofwataugatx.org

BUYOUT / TRADE-IN							
TRADE-IN TYPE	TERMS OF PAYOFF						
XFS Upgrade	Company is performing an equipment upgrade and lease payoff for equipment listed for Customer with the same leasing company. The Company will pick up and return the equipment on the Customer's behalf.						
MAKE/MODEL	PICKUP LOCATION	SERIAL #	SERVICE TAG	BW METER	COLOR	TOTAL	DISPOSITION
Xerox XEROX ALTALINK C8170 IOT - EFQ	CITY OF WATAUGA 7105 WHITLEY RD WATAUGA, TX 76148	EFQ648012	EQ324317				Return
Xerox XEROX VERSALINK B400DN MONO LASER PRINTER	CITY OF WATAUGA 5900 HIGHTOWER DR WATAUGA, TX 76148	6HB847712	EQ324410				Return
Xerox XEROX C8145H2 IOT W/ HIGH CAPACITY TANDEM TRAY MOD	CITY OF WATAUGA 7901 INDIAN SPRINGS RD WATAUGA, TX 76148	EHQ221511	EQ323824				Return
Xerox VersaLink B405 Laser MFP, 47ppm, Print, Copy, Scan, Fax	CITY OF WATAUGA 7800 VIRGIL ANTHONY BLVD WATAUGA, TX 76148	9HB194072	EQ324309				Return
Xerox XEROX VERSALINK C405DN COLOR LASER MUTIFUNCTION PRINTER	CITY OF WATAUGA 7109 WHITLEY RD WATAUGA, TX 76148	4HX976620	EQ323950				Return
Xerox XEROX ALTALINK C8135 IOT W/2 TRAY MOD	CITY OF WATAUGA 7105 WHITLEY RD WATAUGA, TX 76148	ELQ516257	EQ323778				Return
Xerox XEROX VERSALINK C405DN COLOR LASER MUTIFUNCTION PRINTER	CITY OF WATAUGA 7109 WHITLEY RD WATAUGA, TX 76148	4HX976621	EQ323951				Return
Xerox XEROX C8145H2 IOT W/ HIGH CAPACITY TANDEM TRAY MOD	CITY OF WATAUGA 7109 WHITLEY RD WATAUGA, TX 76148	EHQ225788	EQ323817				Return
Xerox VersaLink B405 Laser MFP, 47ppm, Print, Copy, Scan, Fax	CITY OF WATAUGA 5203 WATAUGA RD WATAUGA, TX 76137	9HB194073	EQ324303				Return
Xerox XEROX ALTALINK C8135 IOT W/2 TRAY MOD	CITY OF WATAUGA 5900 HIGHTOWER DR WATAUGA, TX 76148	ELQ516263	EQ323777				Return
Xerox XEROX ALTALINK C8135 IOT W/2 TRAY MOD	CITY OF WATAUGA 7101 WHITLEY RD WATAUGA, TX 76148	ELQ516072	EQ323779				Return
Xerox XEROX VERSALINK C405DN COLOR LASER MUTIFUNCTION PRINTER	CITY OF WATAUGA 7105 WHITLEY RD WATAUGA, TX 76148	4HX976453	EQ323952				Return
Xerox XEROX C8145H2 IOT W/ HIGH CAPACITY TANDEM TRAY MOD	CITY OF WATAUGA 7101 WHITLEY RD WATAUGA, TX 76148	EHQ221518	EQ323518				Return
Xerox XEROX VERSALINK C400 COLOR LASER PRINTER	CITY OF WATAUGA 7101 WHITLEY RD WATAUGA, TX 76148	7HB040546	EQ323853				Return
Xerox XEROX ALTALINK C8135 IOT W/2 TRAY MOD	CITY OF WATAUGA 7800 VIRGIL ANTHONY BLVD	ELQ591044	EQ366045				Return

	WATAUGA, TX 76148						
Xerox XEROX VERSALINK C415 COLOR MULTIFUNCTION PRINTER UP TO 42PPM DUP	CITY OF WATAUGA 7101 WHITLEY RD WATAUGA, TX 76148	YCQ137630	EQ421570				Return
Xerox XEROX C8145H2 IOT W/ HIGH CAPACITY TANDEM TRAY MOD	CITY OF WATAUGA 7105 WHITLEY RD WATAUGA, TX 76148	EHQ221165	EQ323825				Return
Xerox XEROX VERSALINK C405DN COLOR LASER MUTIFUNCTION PRINTER	CITY OF WATAUGA 7800 VIRGIL ANTHONY BLVD WATAUGA, TX 76148	4HX976450	EQ323953				Return
Xerox XEROX ALTALINK C8135 IOT W/2 TRAY MOD	CITY OF WATAUGA 7800 VIRGIL ANTHONY BLVD WATAUGA, TX 76148	ELQ516051	EQ323780				Return
Xerox XEROX ALTALINKC8055 MULTIFUNCTIONAL COPIER/PRINTER/SCANNER W/HIG	CITY OF WATAUGA 7105 WHITLEY RD WATAUGA, TX 76148	8TB633335	EQ291639				Return

The Company agrees to remove, store and return (if applicable) the Trade-In Equipment listed above at no charge provided the following:

1. You, the Customer, maintain insurance coverage for the Trade-In Equipment until the equipment has been returned to the leasing company.

INITIAL ()

CUSTOMER ACCEPTANCE			
<i>I acknowledge that I have read and understand this agreement and I certify that I am authorized to execute this agreement on behalf of Customer. Authorized signature certifies the accuracy of the information provided herein. Unless otherwise indicated in this agreement, it is solely the Customer's responsibility to secure any sensitive data and permanently delete such data from the internal media storage prior to Company taking possession of the equipment. The Customer shall hold the Company harmless from the Customer's failure to secure and permanently delete all such data.</i>			
AUTHORIZED CUSTOMER SIGNATURE:		TITLE:	
SIGNER'S NAME (PRINTED):		DATE:	
COMPANY SALES:		DATE:	



Copy Plus Rental Agreement

APPLICATION NO.

AGREEMENT NO.

Business Solutions

8200 IH 10 W, Suite 400 San Antonio, TX 78230 - (800) 413-3526

The words "User," "Lessee," "you" and "your" refer to **Customer**. The words "Owner," "Lessor," "we," "us" and "our" refer to **Xerox Business Solutions, LLC**

CUSTOMER INFORMATION

FULL LEGAL NAME City of Watauga			STREET ADDRESS 7105 Whitley Rd	
CITY Watauga	STATE TX	ZIP 76148	PHONE 8179081002	FAX
BILLING NAME (IF DIFFERENT FROM ABOVE) CITY OF WATAUGA			BILLING STREET ADDRESS 7105 WHITLEY RD	
CITY WATAUGA	STATE TX	ZIP 76148	E-MAIL braley@cityofwataugatx.org	
EQUIPMENT LOCATION (IF DIFFERENT FROM ABOVE) See attached Schedule A				

EQUIPMENT DESCRIPTION

MAKE/MODEL/ACCESSORIES	SERIAL NO.	STARTING METER

☒ See attached Schedule A

TERM & PAYMENT INFORMATION

60 months	Payments* of \$	\$3,885.55 Monthly	The payment ("Payment") period is monthly unless otherwise indicated.		*plus applicable taxes	
Payment includes	See attached Schedule A	B&W Pages per month	Overages billed at \$	See attached Schedule A	per B&W page*	
Payment includes	See attached Schedule A	Color Pages per month	Overages billed at \$	See attached Schedule A	per Color page*	
Payment includes	See attached Schedule A	B&W Prints per month	Overages billed at \$	See attached Schedule A	per B&W print*	
Payment includes	See attached Schedule A	Color Prints per month	Overages billed at \$	See attached Schedule A	per Color print*	

Upon acceptance of the Equipment, THIS AGREEMENT IS NONCANCELABLE, IRREVOCABLE AND CANNOT BE TERMINATED.

OWNER ACCEPTANCE

Xerox Business Solutions, LLC		
OWNER	SIGNATURE	PRINT NAME / TITLE DATED

CUSTOMER ACCEPTANCE

BY SIGNING BELOW OR AUTHENTICATING AN ELECTRONIC RECORD HEREOF, YOU CERTIFY THAT YOU HAVE REVIEWED AND DO AGREE TO ALL TERMS AND CONDITIONS OF THIS AGREEMENT ON THIS PAGE AND ON PAGE 2 ATTACHED HERETO. You acknowledge and agree that the Equipment has been delivered to you and you hereby accept such Equipment on an "AS-IS, WHERE-IS" basis for all purposes as of the date hereof. Upon you signing below, your promises herein will be non-cancelable, irrevocable and unconditional in all respects.

City of Watauga		
CUSTOMER (as referenced above)	SIGNATURE	TITLE

FEDERAL TAX I.D. #	PRINT NAME	DATED
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TERMS AND CONDITIONS (Continued on Page 2)

1. **AGREEMENT:** You agree to rent from us the goods, together with all replacements, parts, repairs, additions, and accessions incorporated therein or attached thereto and any and all proceeds of the foregoing, including, without limitation, insurance recoveries ("Equipment") and, if applicable, finance certain intangible items such as software, software or subscription license(s), software components, prepaid cloud credits or professional services (collectively, the "Financed Items," which are included in the word "Equipment" unless separately stated) from licensor(s) and/or supplier(s) (collectively, the "Supplier"), all as described in this Agreement and in any attached schedule, addendum or amendment hereto ("Agreement"). You represent and warrant that you will use the Equipment for business purposes only and that the Equipment is new, unless otherwise noted. You agree to all of the terms and conditions contained in this Agreement, which, with the acceptance certification, is the entire agreement between you and us regarding the Equipment and which supersedes all prior agreements, including any purchase order, invoice, request for proposal, response or other related document. This Agreement becomes valid upon execution by us. In order to facilitate an orderly transition, the start date of this Agreement will be the date the Equipment is delivered to you or a date designated by us. If a later start date is designated, you agree to pay us a transitional payment equal to 1/30th of the Payment, multiplied by the number of days between the date the Equipment is delivered to you and the designated start date. If any provision of this Agreement is declared unenforceable, the other provisions herein shall remain in full force and effect to the fullest extent permitted by law.

2. **OWNERSHIP; PAYMENTS; TAXES AND FEES:** We own the Equipment, excluding any Financed Items. Ownership of any Financed Items shall remain with Supplier thereof. **You will pay all Payments, as adjusted, when due, without notice or demand and without abatement, set-off, counterclaim or deduction of any amount whatsoever.** If any part of a Payment is more than 5 days late, you agree to pay a late charge equal to: a) the higher of 10% of the Payment which is late or \$26.00, or b) if less, the maximum charge allowed by law. The Payment may be adjusted proportionately upward or downward: (i) if the shipping charges or taxes differ from the estimate given to you; and/or (ii) to comply with the tax laws of the state in which the Equipment is located. You agree to reimburse us for all applicable taxes, assessments and penalties related to this Agreement, whenever levied or assessed on this Agreement, on us or you, or on the Equipment, its rental, sale, ownership, possession, use or operation. If we are not going to file and pay, you will be notified in writing within 60 days after commencement and or billed directly to you by your taxing jurisdiction. If we pay any taxes or other expenses that are owed hereunder, you agree to reimburse us when we request and to pay us a processing fee for each expense we pay on your behalf and to pay us an annual tax processing fee up to \$50. You agree to pay us an origination fee of \$189.50 for all closing costs. We may apply all sums received from you to any amounts due and owed to us under the terms of this Agreement. If

for any reason your check is returned for insufficient funds, you will pay us a service charge of \$30 or, if less, the maximum charge allowed by law. We may make a profit on any fees, estimated tax payments and other charges paid under this Agreement.

3. EQUIPMENT; SECURITY INTEREST: At your expense, you shall keep the Equipment: (i) in good repair, condition and working order, in compliance with applicable laws, ordinances and manufacturers' and regulatory standards; (ii) free and clear of all liens and claims; and (iii) at your address shown on page 1, and you agree not to move Equipment unless we agree in writing. You grant us a security interest in the Equipment to secure all amounts you owe us under any agreement with us, except amounts secured by land and buildings in addition to the Equipment. You authorize and ratify our filing of any financing statement(s). You will not change your name, state of organization, headquarters or residence without providing prior written notice to us. You will notify us within 30 days if your state of organization revokes or terminates your existence.

4. INSURANCE; COLLATERAL PROTECTION; INDEMNITY; LOSS OR DAMAGE: You agree to keep the Equipment fully insured against all risk, with us named as lender's loss payee, in an amount not less than the full replacement value of the Equipment until this Agreement is terminated. You also agree to maintain liability insurance with such coverage and from such insurance carrier as shall be satisfactory to us and to include us as an additional insured on the policy. You will provide written notice to us within 10 days of any modification or cancellation of your insurance policy(s). You agree to provide us certificates or other evidence of insurance acceptable to us. If you do not provide us with acceptable evidence of property insurance within 30 days after the start of this Agreement, we may, at our sole discretion, do as provided in either (A) or (B) below: (A) We may secure property loss insurance on the Equipment from a carrier of our choosing in such forms and amounts as we deem reasonable to protect our interests. If we secure insurance on the Equipment, we will not name you as an insured party, your interests may not be fully protected, and you will reimburse us the premium which may be higher than the premium you would pay if you obtained insurance, and which may result in a profit to us through an investment in reinsurance. In addition, you agree to pay us our standard fees in connection with obtaining such insurance. If you are current in all of your obligations under the Agreement at the time of loss, any insurance proceeds received will be applied, at our option, to repair or replace the Equipment, or to pay us the remaining payments due or to become due under this Agreement, plus our booked residual, both discounted at 2% per annum. (B) We charge you a monthly property damage surcharge of up to .0035 of the Equipment cost as a result of our credit risk and administrative and other costs, as would be further described on a letter from us to you. We may make a profit on this program. **NOTHING IN THIS PARAGRAPH WILL RELIEVE YOU OF RESPONSIBILITY FOR LIABILITY INSURANCE ON THE EQUIPMENT.** We are not responsible for, and you agree to hold us harmless and reimburse us for and to defend on our behalf against, any claim for any loss, expense, liability or injury caused by or in any way related to delivery, installation, possession, ownership, renting, manufacture, use, condition, inspection, removal, return or storage of the Equipment. All indemnities will survive the expiration or termination of this Agreement. You are responsible for any loss, theft, destruction or damage to the Equipment ("Loss"), regardless of cause, whether or not insured. You agree to promptly notify us in writing of any Loss. If a Loss occurs and we have not otherwise agreed in writing, you will promptly pay to us the unpaid balance of this Agreement, including any future Payments to the end of the term plus the anticipated residual value of the Equipment, both discounted to present value at 2%. Any proceeds of insurance will be paid to us and credited against the Loss. You authorize us to sign on your behalf and appoint us as your attorney-in-fact to endorse in your name any insurance drafts or checks issued due to a Loss.

5. ASSIGNMENT: YOU SHALL NOT SELL, TRANSFER, ASSIGN, ENCUMBER, PLEDGE OR SUBLEASE THE EQUIPMENT OR THIS AGREEMENT, without our prior written consent, which will not be unreasonably withheld. You shall not consolidate or merge with or into any other entity, distribute, sell or dispose of all or any substantial portion of your assets other than in the ordinary course of business, without our prior written consent, which shall not be unreasonably withheld, and the surviving, or successor entity or the transferee of such assets, as the case may be, shall assume all of your obligations under this Agreement by a written instrument acceptable to us. No event shall occur which causes or results in a transfer of majority ownership of you while any obligations are outstanding hereunder. We may sell, assign, or transfer this Agreement without notice to or consent from you. You agree that if we sell, assign or transfer this Agreement, our assignee will have the same rights and benefits that we have now and will not have to perform any of our obligations. **You agree that our assignee will not be subject to any claims, defenses, or offsets that you may have against us.** This Agreement shall be binding on and inure to the benefit of the parties hereto and their respective successors and assigns.

6. DEFAULT AND REMEDIES: You will be in default if: (i) you do not pay any Payment or other sum due to us or you fail to perform in accordance with the covenants, terms and conditions of this Agreement or any other agreement with us or any of our affiliates; (ii) you make or have made any false statement or misrepresentation to us; (iii) you or any guarantor dies, dissolves, liquidates, terminates existence or is in bankruptcy; (iv) you or any guarantor suffers a material adverse change in its financial, business or operating condition; or (v) any guarantor defaults under any guaranty for this Agreement. If you are ever in default, at our option, we can cancel this Agreement and require that you pay the unpaid balance of this Agreement, including any future Payments to the end of term plus the anticipated residual value of the Equipment, both discounted to present value at 2%. We may recover default interest on any unpaid amount at the rate of 12% per year. Concurrently and cumulatively, we may also use any remedies available to us under the UCC and any other law and we may require that you immediately stop using any Financed Items. If we take possession of the Equipment, you agree to pay the costs of repossession, moving, storage, repair and sale. The net proceeds of the sale of any Equipment will be credited against what you owe us under this Agreement and you will be responsible for any deficiency. In the event of any dispute or enforcement of our rights under this Agreement or any related agreement, you agree to pay our reasonable attorneys' fees (including any incurred before or at trial, on appeal or in any other proceeding), actual court costs and any other collection costs, including any collection agency fee. **LIMITATION ON LIABILITY: IN NO EVENT SHALL WE BE LIABLE TO YOU FOR ANY INDIRECT, INCIDENTAL, EXEMPLARY, PUNITIVE, SPECIAL OR CONSEQUENTIAL DAMAGES, INCLUDING WITHOUT LIMITATION, DAMAGES FOR LOST PROFITS, REGARDLESS OF THE FORM OF ACTION, WHETHER IN CONTRACT, TORT (INCLUDING NEGLIGENCE) OR OTHERWISE, AND EVEN IF ADVISED OF THE POSSIBILITY OF SUCH DAMAGES. IN NO EVENT SHALL WE BE LIABLE TO YOU FOR ANY DIRECT DAMAGES IN EXCESS OF THE FEES PAID BY YOU UNDER THIS AGREEMENT IN THE SIX-MONTH PERIOD IMMEDIATELY PRECEDING THE EVENT THAT GIVES RISE TO THE CLAIM.** Any delay or failure to enforce our rights under this Agreement will not prevent us from enforcing any rights at a later time. **You agree that this Agreement shall be a "Finance Lease" as defined by Article 2A of the UCC and your rights and remedies are governed exclusively by this Agreement. You waive all rights under sections 2A-508 through 522 of the UCC, as may be amended.** If interest is charged or collected in excess of the maximum lawful rate, we will refund such excess to you, which will be your sole remedy.

7. INSPECTIONS AND REPORTS: We have the right, at any reasonable time, to inspect the Equipment and any documents relating to its installation, use, maintenance and repair. Within 30 days after our request, you will deliver all requested information which we deem reasonably necessary to determine your current financial condition and faithful performance of the terms hereof. Financial information will generally not be required unless your exposure with us exceeds \$1,000,000. Unless otherwise accepted by us, each financial statement shall be prepared in accordance with generally accepted accounting principles consistently applied and shall fairly and accurately present your financial condition and results of operations for the period to which it pertains. You authorize us to obtain credit bureau reports for credit and collection purposes and to share them with our affiliates and agents.

8. END OF TERM: At the end of the initial term, this Agreement shall renew for successive 12-month renewal term(s) under the same terms hereof unless you send us written notice between 90 and 150 days before the end of the initial term or at least 60 days before the end of any renewal term that you want to return the Equipment, and you timely return the Equipment. You shall continue making Payments and paying all other amounts due after the end of the initial term until the Equipment is returned in accordance with the terms of this Agreement. As long as you have given us the required written notice, you will return all of the Equipment to a location we specify, at your expense, in retail re-saleable condition, full working order and complete repair. If you so request, and we permit the early termination of this Agreement, you agree to pay a fee for such privilege. **YOU ARE SOLELY RESPONSIBLE FOR REMOVING ANY DATA THAT MAY RESIDE IN THE EQUIPMENT, INCLUDING BUT NOT LIMITED TO HARD DRIVES, DISK DRIVES OR ANY OTHER FORM OF MEMORY.** You cannot pay off this Agreement or return the Equipment prior to the end of the initial term without our consent. If we consent, we may charge you, in addition to other amounts owed, an early termination fee.

9. USA PATRIOT ACT NOTICE; ANTI-TERRORISM AND ANTI-CORRUPTION COMPLIANCE: To help the government fight the funding of terrorism and money laundering activities, federal law requires all financial institutions to obtain, verify, and record information that identifies each customer who opens an account. When you enter into a transaction with us, we ask for your business name, address and other information that will allow us to identify you. We may also ask to see other documents that substantiate your business identity. You and any other person who you control, own a controlling interest in, or who owns a controlling interest in or otherwise controls you in any manner ("Representatives") are and will remain in full compliance with all laws, regulations and government guidance concerning foreign asset control, trade sanctions, embargoes, and the prevention and detection of money laundering, bribery, corruption, and terrorism, and neither you nor any of your Representatives is or will be listed in any Sanctions-related list of designated persons maintained by the U.S. Department of Treasury's Office of Foreign Assets Control or successor or the U.S. Department of State. You shall, and shall cause any Representative to, provide such information and take such actions as are reasonably requested by us in order to assist us in maintaining compliance with anti-money laundering laws and regulations.

10. MISCELLANEOUS: Unless otherwise stated in an amendment, supplement or addendum hereto, the parties agree that: (i) this Agreement and any related documents hereto may be authenticated by electronic means; (ii) the "original" of this Agreement shall be the copy that bears your manual, facsimile, scanned or electronic signature and that also bears our manually signed signature and is held by us; and (iii) to the extent this Agreement constitutes chattel paper (as defined by the UCC), a security interest may only be created in the original. Notwithstanding the foregoing, (i) for evidentiary purposes, any faxed, scanned or electronic copy of this Agreement may be considered the original, and you waive the right to challenge in court the authenticity or binding effect of any such copy or signature thereon; and (ii) we reserve the right to require you to sign any instrument manually and to deliver to us an original of such document. You agree to execute any further documents that we may request to carry out the intents and purposes of this Agreement. All notices shall be mailed or delivered by electronic transmission or via overnight courier to the respective parties at the addresses shown on this Agreement or such other address as a party may provide in writing from time to time. By providing us with a telephone number for a cellular phone or other wireless device, including a number that you later convert to a cellular number, you are expressly consenting to receiving communications, including but not limited to prerecorded or artificial voice message calls, text messages, and calls made by an automatic telephone dialing system, from us and our affiliates and agents at that number. This express consent applies to each such telephone number that you provide to us now or in the future and permits such calls for non-marketing purposes. Calls and messages may incur access fees from your cellular provider. You authorize us to make non-material amendments (including completing and conforming the description of the Equipment) on any document in connection with this Agreement. **Unless stated otherwise herein, all other modifications to this Agreement must be in writing and signed by each party or in a duly authenticated electronic record.** This Agreement may not be modified by course of performance. You authorize us to insert or correct missing information on this Agreement, including but not limited to agreement numbers, serial numbers and other Equipment information.

11. WARRANTY DISCLAIMERS: WE ARE RENTING THE EQUIPMENT TO YOU "AS-IS." YOU HAVE SELECTED SUPPLIER(S) AND THE EQUIPMENT BASED UPON YOUR OWN JUDGMENT. IN THE EVENT WE ASSIGN THIS AGREEMENT, OUR ASSIGNEE DOES NOT TAKE RESPONSIBILITIES FOR THE INSTALLATION OR PERFORMANCE OF THE EQUIPMENT. **YOU WILL CONTINUE TO MAKE ALL PAYMENTS UNDER THIS AGREEMENT REGARDLESS OF ANY CLAIM OR COMPLAINT AGAINST ANY SUPPLIER, LICENSOR OR MANUFACTURER, AND ANY FAILURE OF A SERVICE PROVIDER TO PROVIDE SERVICES WILL NOT EXCUSE YOUR OBLIGATIONS TO US UNDER THIS AGREEMENT. YOU ARE NOT ENTITLED TO REDUCE OR SET-OFF AGAINST AMOUNTS DUE UNDER THIS AGREEMENT FOR ANY REASON, INCLUDING ALL INSTANCES WHERE THE TERM OF A FINANCED ITEM OR ASSOCIATED SERVICE MAY NOT BE COTERMINOUS WITH THE TERM OF THIS AGREEMENT. WE MAKE NO WARRANTIES, EXPRESS OR IMPLIED, OF, AND TAKE ABSOLUTELY NO RESPONSIBILITY FOR, MERCHANTABILITY, FITNESS FOR ANY PARTICULAR PURPOSE, CONDITION, QUALITY, ADEQUACY, TITLE, DATA ACCURACY, SYSTEM INTEGRATION, FUNCTION, DEFECTS, OR ANY OTHER ISSUE IN REGARD TO THE EQUIPMENT, ANY ASSOCIATED SOFTWARE AND ANY FINANCED ITEMS. SO LONG AS YOU ARE NOT IN DEFAULT UNDER THIS AGREEMENT, WE ASSIGN TO YOU ANY WARRANTIES GIVEN TO US.**

12. LAW; JURISDICTION/VENUE; JURY WAIVER: This Agreement will be governed by and construed in accordance with the law of the state of the principal place of business of Owner or, if assigned, the assignee's principal place of business. You consent to the jurisdiction and venue of any state or federal court in the state of the Owner or, if assigned, where its assignee has its principal place of business and waive the defense of inconvenient forum. For any action arising out of or relating to this Agreement or the Equipment, **BOTH PARTIES WAIVE ALL RIGHTS TO A TRIAL BY JURY.**

13. MAINTENANCE AND SUPPLIES: The charges established by this Agreement include payment for the use of the Equipment, accessories, maintenance by Supplier(s) during normal business hours, inspection, adjustment, parts replacement, drums, cleaning material required for proper operation and toner and developer. Paper and staples must be separately purchased by you. The per page/print charge and overages per page/print charge are based upon an 8 1/2" x 11" letter size page, print with an average 5% image fill, or its equivalent. If we determine that you have used 15% more consumable supplies than normal (as determined by the manufacturer's specifications) to produce pages/prints, you agree to pay us an amount from time to time which may be necessary to offset such increased usage. If necessary, the maintenance and supply portion of this Agreement may be assigned by us. We may charge you a monthly supply freight fee to cover our costs of shipping supplies to you. You agree to pay all amounts owing under this Agreement regardless of any claim you have against Supplier relating to the maintenance and supplies, which are being provided to you pursuant to a separate arrangement with Supplier ("Arrangement"). Supplier will be solely responsible for performing all services and providing all supplies under the Arrangement. Services may be delivered by Supplier's affiliates and/or subcontractors, at Supplier's sole discretion. You agree not to hold Owner (if different from Supplier) or any assignee of this Agreement responsible for Supplier's obligations under the Arrangement. As a convenience to you, we may provide you with one invoice covering amounts owing under this Agreement and the Arrangement. Each month, you are entitled to produce the minimum number of pages/prints shown on page 1 for each applicable page/print type. Regardless of the number of pages/prints made, you will never pay less than the minimum Payment. You agree to provide periodic meter readings on the Equipment. You agree to pay the applicable overage charge for each metered page/print that exceeds the applicable minimum number of pages/prints. Pages/prints made on equipment marked as not financed under this Agreement will be included in determining your page/print and overage charges. At the end of the first year of this Agreement, and once each successive 12-month period thereafter, the Payment and the overage charges may be increased by a maximum of 20% of the existing payment or charge and where a contract is subject to flat rate pricing, modify the Payment accordingly based on Customer's usage during the previous 12-month period.

14. METER; ELECTRIC SERVICES: Most equipment will be connected to a remote transmission tool which will report the number of images made on the Equipment each month and upon which monthly invoices will be based. If a remote transmission tool is not installed and otherwise upon request, you will provide us, by telephone, e-mail or fax with the actual meter readings three days prior to your due date. We may estimate the number of images used if such meter readings are not received from you by us within 2 days. The estimated charge for excess images shall be adjusted upon receipt of actual meter readings. If you are unable to maintain remote transmission, we reserve the right to charge you a per device fee for such affected Equipment due to the increased service visits that will be required in order for Supplier to: (x) obtain such information, (y) provide such transmissions and/or (z) provide such maintenance services and supplies that otherwise would have been provided remotely and/or proactively. If you elect to not install a remote transmission tool, a manual meter collection fee as outlined on the Supplier's currently published fee schedule shall apply. You agree to provide adequate space without charge for the Equipment, adequate electricity (including, if necessary, a dedicated 110 or 220 volt line), an electrical surge suppressor with a UL-1449 rating or better, and reasonable storage for supplies to be used with the equipment.



Schedule A

APPLICATION NO.

AGREEMENT NO.

Business Solutions

This Schedule "A" is to be attached to and becomes part of the above-referenced Agreement by and between the undersigned and **Xerox Business Solutions, LLC**.

EQUIPMENT DESCRIPTION					
Quantity	Model and Description	Location	Serial Number	Starting Meter	Meter Pools
1	AltaLink C8235H2 with BR BOOKLET MAKER Finisher w/ 2/3 Hole Punch (BRFB-81), 1-Line Fax (FAX-1LINE), BR Finisher C/Z Folder (CZFOLD81)	CITY OF WATAUGA 5909 HIGHTOWER DR WATAUGA, TX 76148			B&W: Flat Rate Color: Flat Rate
1	AltaLink C8255H2 with Office Finisher (OFC-81), 1-Line Fax (FAX-1LINE), Hole Punch (2/3 Hole) for Office Finisher (OFC-HPKIT)	CITY OF WATAUGA 7800 VIRGIL ANTHONY BLVD WATAUGA, TX 76148			B&W: Flat Rate Color: Flat Rate
1	AltaLink C8255H2 with Office Finisher (OFC-81), 1-Line Fax (FAX-1LINE), Hole Punch (2/3 Hole) for Office Finisher (OFC-HPKIT)	CITY OF WATAUGA 7800 VIRGIL ANTHONY BLVD WATAUGA, TX 76148			B&W: Flat Rate Color: Flat Rate
1	AltaLink C8255H2 with Office Finisher (OFC-81), 1-Line Fax (FAX-1LINE), Hole Punch (2/3 Hole) for Office Finisher (OFC-HPKIT)	CITY OF WATAUGA 7800 VIRGIL ANTHONY BLVD WATAUGA, TX 76148			B&W: Flat Rate Color: Flat Rate
1	AltaLink C8255H2 with Office Finisher (OFC-81), 1-Line Fax (FAX-1LINE), Hole Punch (2/3 Hole) for Office Finisher (OFC-HPKIT)	CITY OF WATAUGA 7105 WHITLEY RD WATAUGA, TX 76148			B&W: Flat Rate Color: Flat Rate
1	AltaLink C8255H2 with BR BOOKLET MAKER Finisher w/ 2/3 Hole Punch (BRFB-81), 1-Line Fax (FAX-1LINE), Hole Punch (2/3 Hole) for Office Finisher (OFC-HPKIT), BR Finisher C/Z Folder (CZFOLD81)	CITY OF WATAUGA 7109 WHITLEY RD WATAUGA, TX 76148			B&W: Flat Rate Color: Flat Rate
1	AltaLink C8255H2 with BR BOOKLET MAKER Finisher w/ 2/3 Hole Punch (BRFB-81), 1-Line Fax (FAX-1LINE), Banner Feed Kit (BANFEEDKT)	CITY OF WATAUGA 7901 INDIAN SPRINGS RD WATAUGA, TX 76148			B&W: Flat Rate Color: Flat Rate
1	AltaLink C8255H2 with Office Finisher (OFC-81), 1-Line Fax (FAX-1LINE), Hole Punch (2/3 Hole) for Office Finisher (OFC-HPKIT)	CITY OF WATAUGA 7101 WHITLEY RD WATAUGA, TX 76148			B&W: Flat Rate Color: Flat Rate
1	AltaLink C8255H2 with Office Finisher (OFC-81), 1-Line Fax (FAX-1LINE), Hole Punch (2/3 Hole) for Office Finisher (OFC-HPKIT)	CITY OF WATAUGA 7101 WHITLEY RD WATAUGA, TX 76148			B&W: Flat Rate Color: Flat Rate
1	AltaLink C8270H2 with BR BOOKLET MAKER Finisher w/ 2/3 Hole Punch (BRFB-81), 1-Line Fax (FAX-1LINE)	CITY OF WATAUGA 7105 WHITLEY RD WATAUGA, TX 76148			B&W: Flat Rate Color: Flat Rate
1	AltaLink C8270H2 with BR BOOKLET MAKER Finisher w/ 2/3 Hole Punch (BRFB-81), 1-Line Fax (FAX-1LINE)	CITY OF WATAUGA 7105 WHITLEY RD WATAUGA, TX 76148			B&W: Flat Rate Color: Flat Rate
1	Xerox C415dn with 550-Sheet Paper Tray with integrated 100-Sheet Bypass Tray (YZR), Printer Stand (ZDV)	CITY OF WATAUGA 7105 WHITLEY RD WATAUGA, TX 76148			B&W: MPS Flat Rate Color: MPS Flat Rate
1	Xerox C415dn with 550-Sheet Paper Tray with integrated 100-Sheet Bypass Tray (YZR), Printer Stand (ZDV)	CITY OF WATAUGA 7101 WHITLEY RD WATAUGA, TX 76148			B&W: MPS Flat Rate Color: MPS Flat Rate
1	Xerox C415dn with 550-Sheet Paper Tray with integrated 100-Sheet Bypass Tray (YZR), Printer Stand (ZDV)	CITY OF WATAUGA 7109 WHITLEY RD WATAUGA, TX 76148			B&W: MPS Flat Rate Color: MPS Flat Rate

1	Xerox C415dn with 550-Sheet Paper Tray with integrated 100-Sheet Bypass Tray (YZR)	CITY OF WATAUGA 7101 WHITLEY RD WATAUGA, TX 76148			B&W: MPS Flat Rate Color: MPS Flat Rate
1	Xerox C415dn with 550-Sheet Paper Tray with integrated 100-Sheet Bypass Tray (YZR), Printer Stand (ZDV)	CITY OF WATAUGA 7109 WHITLEY RD WATAUGA, TX 76148			B&W: MPS Flat Rate Color: MPS Flat Rate
1	Xerox C415dn	CITY OF WATAUGA 7800 VIRGIL ANTHONY BLVD WATAUGA, TX 76148			B&W: MPS Flat Rate Color: MPS Flat Rate
1	Xerox C415dn with 550-Sheet Paper Tray with integrated 100-Sheet Bypass Tray (YZR)	CITY OF WATAUGA 5633 LINDA DRIVE WATAUGA, TX 76148			B&W: MPS Flat Rate Color: MPS Flat Rate
1	Xerox C415dn	CITY OF WATAUGA 5203 WATAUGA RD WATAUGA, TX 76137			B&W: MPS Flat Rate Color: MPS Flat Rate
1	(Service Only) Xerox XEROX VERSALINK C415 COLOR MULTIFUNCTION PRINTER UP TO 42PPM DUP Asset Tag: EQ421570 SN: YCQ137630	7101 WHITLEY RD			Color: MPS Pool #1

METER POOL INFORMATION					
Name	Allowance	Excess Rate			Excess Frequency

FLAT RATE POOL INFORMATION			
Name	Allowance	Excess Rate	Excess Frequency
Xerox C415dn	Flat Rate	n/a	Quarterly
AltaLink C8255H2	Flat Rate	n/a	Quarterly
AltaLink C8235H2	Flat Rate	n/a	Quarterly
AltaLink C8270H2	Flat Rate	n/a	Quarterly

SOFTWARE / IT		
Quantity	Description	Location

CUSTOMER ACCEPTANCE

This Schedule "A" is hereby verified as correct by the undersigned Customer, who acknowledges receipt of a copy.

City of Watauga

CUSTOMER (as referenced above)

X

SIGNATURE

/

PRINT NAME / TITLE

DATED

CUSTOMER			SALES & SERVICE AGREEMENT				BILL TO	
CUSTOMER NAME City of Watauga			CUSTOMER NAME CITY OF WATAUGA					
ADDRESS 7105 Whitley Rd			ADDRESS 7105 WHITLEY RD					
CITY, STATE ZIP Watauga, TX 76148			CITY, STATE ZIP WATAUGA, TX 76148					
PRIMARY CONTACT PERSON Bradley Frailey	PRIMARY PHONE NUMBER (817) 908-1002	PRIMARY EMAIL bfraley@wataugatx.org	BILL TO CONTACT PERSON Bradley Frailey	BILL TO PHONE NUMBER 8179081002	BILL TO EMAIL bfraley@wataugatx.org			
SALESPERSON Rozlyn Geason	CUSTOMER PURCHASE ORDER #	COMPANY REFERENCE # 20439351	SERVICE CONTRACT ☐	MPS CONTRACT ☐				
			CONTRACT #	CONTRACT #				
LEASE PAYMENT			MONTHLY SERVICE PAYMENT		MONTHLY MPS PAYMENT			
\$410.73 Monthly			N/A		N/A			
TERMS OF PAYMENT: NET THIRTY (30) DAYS FOR CASH SALE AND ALL OTHER INVOICES NET THIRTY (30) DAYS FROM DATE OF INVOICE								

QTY	MODEL/PRODUCT #	LOCATION	DESCRIPTION	METER POOLS	PRICE	TOTAL PRICE
☐ SEE PRODUCT SCHEDULE (SCHEDULE A)		☐ SEE TRADE-IN EQUIPMENT / LEASE RETURN FORM		SUBTOTAL		See Lease
				SPECIAL SERVICES FEES		\$0.00
NOTE / ADJUSTMENT DETAILS						
OTHER ADJUSTMENTS						\$0.00
CONTRACT TYPE			EFFECTIVE DATES			TRANSACTION TYPE
☐ CASH SALE	☐ RENTAL	TERM IN MONTHS 36 Months		Actual start date based on delivery or lease commencement.		\$1 BUYOUT(SLG)
☒ LEASE	☐ MAINTENANCE ONLY					
CONTRACT TERMS						NOTES
<u>SERVICE</u>	<u>MPS</u>					
☐	☐	All parts, labor, drums and supplies; excluding paper and staples				
☐	☐	All parts and labor, including drums; excluding supplies, paper, and staples				
☐	☐	Remote Solve Opt-Out				
☐	☐	Includes other (indicate)				

REMOTE SERVICE TECHNOLOGY			PRIMARY METER CONTACT		
null: 0 Devices Covered					
TECHNOLOGY CONTACT PERSON Bradley Frailey	TECH PHONE # (817) 908-1002	TECH EMAIL bfraley@wataugatx.org	METER CONTACT PERSON Bradley Frailey	METER PHONE # (817) 908-1002	METER EMAIL bfraley@wataugatx.org
Company will install an app to automatically collect device meters for contract billing and automated supply replenishment. Company will charge a fee per machine per coverage billing cycle should customer decline meter and supply technology app installation.					
QTY	MODEL / PRODUCT #	SOFTWARE & DESCRIPTION	☐	SEE SOW FOR DETAILS	TOTAL PRICE
1	Users	Users			Included on Lease
1	Formstack Documents Starter	Formstack Documents Starter			Included on Lease
1	Teams	Teams			Included on Lease
1	Formstack Sign Pro (flat fee)	Formstack Sign Pro (flat fee)			Included on Lease
1	Formstack Sign Pro Users	Formstack Sign Pro Users			Included on Lease

CUSTOMER ACCEPTANCE			
By executing this agreement, I acknowledge that I have read and understand this agreement and I certify that I am authorized to execute this agreement on behalf of customer. Authorized signature acknowledges terms / conditions and expiration dates or meter readings. The terms and conditions on the face and reverse side of this agreement correctly set forth the entire agreement between parties.			
AUTHORIZED CUSTOMER SIGNATURE:		TITLE:	
SIGNER'S NAME (PRINTED):		DATE:	
COMPANY SALES:		DATE:	

Sales & Service Terms and Conditions

1. **Definitions.** The first page of this Sales & Service Agreement is referred to herein as the "Cover Page." The Cover Page, these Terms and Conditions, any Schedules (e.g., a Product Schedule), Statements of Work ("SOW"), and/or any other attachments referenced on the Cover Page or attached hereto and incorporated herein represent the agreement (the "Agreement") between Company and the Customer ("Parties") as identified on the Cover Page of this Agreement, with respect to the acquisition of those Products and/or Services. "Products" shall mean the equipment ("Equipment") and any Software ("Application Software") identified on the Cover Page and/or on a Product Schedule.

2. **Scope.** This Agreement may be executed for:

a) A SALE of Products. If a SALE, Company hereby offers to sell/license and Customer hereby accepts to purchase/license those Products in the quantity and for the price indicated on the Cover Page (and/or Product Schedule). Payment terms are set forth in Section 7, below. Title to the Equipment will transfer to Customer upon delivery;

b) A LEASE of Products. If a LEASE, Customer will execute a separate lease agreement which will fund the purchase/license of the Products in the quantity indicated on the Cover Page (and/or Product Schedule) for the benefit of Customer. The lease will be between (i) Customer and a third-party lessor or (ii) Customer and Company, which Company shall then assign to a third-party lessor (each a "Lessor"). Nothing herein shall alter, amend, or affect Customer's or Lessor's rights or obligations pursuant to such lease. Upon execution of a lease agreement between Customer and Lessor, Customer shall be responsible to Lessor to satisfy the terms and conditions of the lease;

c) A RENTAL of Products. If a RENTAL, Company hereby offers to rent and Customer hereby accepts to pay for those Products in the quantity and for the price indicated on the Cover Page (and/or Product Schedule). Payment terms are set forth in Section 7, below. Title will remain with Company throughout the Term as indicated on the Cover Page. Customer agrees to obtain adequate insurance coverage sufficient to cover the full replacement value of the rental equipment while in Customer's possession, and to have Company named as the loss payee. Unless otherwise stated in the Cover Page, the rental is non-cancellable for the stated term; and/or

d) An ACQUISITION of SERVICES. Services may include those Services referenced in Section 4 of this Agreement and/or such additional Services outlined in one or more SOWs or Schedules attached hereto. Payment terms for Services shall be in accordance with Section 7, below.

3. **Delivery and Installation.** Unless specified otherwise on the Cover Page, for any Sale, Lease, or Rental, Company shall deliver and install the Products at the location specified by Customer on the Cover Page and/or Product Schedule unless: (1) Customer has not made available at that address a suitable place of installation as specified by the Company; or (2) Customer has not made available suitable electrical service in accordance with the Underwriter's Lab ("UL") or manufacturer's requirements. All risk of loss will transfer to the Customer upon delivery. Customer will be responsible for nonstandard delivery charges. Relocation of Products to a location other than that specified on the Cover Page and/or Product Schedule requires Company's consent and may result in fees or increased rates.

4. **Services.** This Agreement covers both the labor and materials for adjustments, repairs, and replacement of parts necessitated by normal use of the Equipment. Unless otherwise stated on the Cover Page, Services do not include the following: (a) repairs due to (i) misuse, neglect, or abuse (including, without limitation, improper voltage or use of supplies that do not conform to the manufacturers' specifications), (ii) use of options, accessories, products, supplies not provided by Company; (iii) non-Company alterations, relocation, or service; and/or (iv) loss or damage resulting from accidents, fire, water, or theft; (b) maintenance requested outside Company's normal business hours or this Agreement, (c) relocation, (d) software or connected hardware, (e) hard drive replacement, (f) MICR Toner for Laser Printers, and parts and labor for all non-laser printers, and/or (g) parts for Scanners. Company reserves the right, at its sole discretion, to replace Equipment with Equipment of similar or better conditions and features, rather than providing on-site Service support. Replacement parts may be new, reprocessed, or recovered. Supplies provided by Company are in accordance with the copy volumes set forth on the Cover Page and within the manufacturer's stated yields, and do not include staples or paper. Supplies are to be used exclusively for the Equipment and remain Company property until consumed. Customer will return, or allow Company to retrieve, any unused supplies at the termination or expiration of this Agreement. Customer is responsible for the cost of excess supplies. Supplies will be shipped to Customer via UPS Ground, or another method selected by Company. Unless otherwise stated herein, Customer will be billed for shipping, including, but not limited to, UPS Ground, Overnight, and/or Messenger Service per billing period or per shipment based on number of products. Additional fees may be charged for Services provided outside Company's standard business hours or for computer/network issues and will be at Company hourly rates in effect at the time of such Services. Equipment may be supported and serviced using data that is automatically collected by Company from the Equipment via electronic transmission from the Equipment to a secure off-site location. Examples of automatically transmitted data include product registration, meter read, supply level, Equipment configuration and settings, software version, and problem/fault code data. All such data will be transmitted in a secure manner specified by Company. The automatic data transmission capability does not permit Company to read, view or download any Customer data, documents or other information residing on or passing through the Equipment or Customer's information management systems. Services may be delivered by Company's Affiliates and/or Subcontractors, at Company's sole discretion. Unless otherwise stated on the Cover Page, Company may charge and Customer shall pay a charge for each instance in which Customer declines Company's use of remote technology to provide Services. Unless otherwise agreed to in writing, Customer remains solely responsible to secure any sensitive data and permanently delete such data from the internal media storage prior to removal of Equipment or termination of this Agreement. Company has no obligation to maintain Equipment beyond the "End of Service" for that particular model of Equipment. End of Service ("EOS") means the date announced by manufacturer after which Company will no longer offer Services for a particular Equipment model. Company reserves the right to discontinue Service upon thirty days written notice for any Equipment for which parts and/or Supplies are no longer available, or are not available on commercially reasonable terms.

5. **Meter; Electric Services.** Equipment is required to be connected to a remote transmission tool, which will periodically communicate meter reads as well as other device diagnostic data and upon which invoices will be based. If a remote transmission tool is not installed and otherwise upon request, you will provide us, by telephone, email, web submission, or fax with the actual meter readings three days prior to your due date. We may estimate the number of images used if such meter readings are not communicated to Company. The estimated charge for excess images shall be adjusted upon receipt of actual meter readings. If you do not maintain remote transmission, the Company reserves the right to charge you a per device fee for such affected Equipment due to the increased service visits that will be required in order to: (x) obtain such information, (y) provide such transmissions and (z) provide such Maintenance Services and Consumable Supplies that otherwise would have been provided remotely and/or proactively. If you elect to not install a remote transmission tool, the contract is subject to the unconnected device charge outlined on the Company's currently published fee schedule. You agree to provide adequate space without charge for the Equipment, adequate electricity (including, if necessary, a dedicated 110 or 220-volt line), an electrical surge suppressor with a UL-1449 rating or better, and reasonable storage for supplies to be used with the Equipment.

6. **Additions and Modifications.** If, at any time during the Term, Customer upgrades, modifies, or adds equipment that utilizes the same Supplies as the Equipment, Customer shall promptly notify Company. Company maintains the right to inspect any upgrades and modifications to Equipment and/or additional equipment and determine whether equipment is eligible for Services. If approved for Services and agreed by the Parties, the Agreement will be amended to include such changes, including pricing modifications. All networked devices must be set up with our monitoring app for meters and Supplies. Any devices not under contract will be added automatically to the account for the listed rate. If our monitoring software is not reporting, Customer must work with us to resolve the issue as soon as possible.

7. **Term and Payment.** Except as may otherwise be provided for herein, this Agreement is non-cancellable and shall remain in effect throughout the Term; and, unless notified in writing sixty (60) days prior to its expiration, this Agreement shall automatically renew for twelve (12) months. Company reserves the right to terminate Services upon thirty (30) days written notice. In the event the fees herein are included in Customer's lease payment, the Term shall run concurrently with the lease agreement and be subject to the renewal provisions provided for therein. The meter count at installation or, in the case of owned printers, at assessment, will be used for meter/overages calculations. Customer agrees to pay Company all amounts due within thirty (30) days of the date of Company's invoice or, if the parties have agreed the third-party lessor will collect the Services fees due under this Agreement on behalf of Company, in accordance with the applicable lease agreement, and all other sums when due and payable. Except where the Cover Page denotes flat rate pricing, any Monthly Payment entitles Customer to Services and Supplies for a specific number and type (i.e. black & white, color, scan) of Prints/Copies as identified on the Cover Page and will be billed in advance, and Customer agrees to pay the Overage Rate for each Print/Copy that exceeds the applicable number and type of Prints/Copies provided in the Minimum Monthly Payment which amount shall be billed in arrears and is payable as indicated on the Cover Page. A Print/Copy is defined as standard 8.5"x11" copy, except where Equipment is designated on the Cover Page as having a Color Large impression pool (Color LG) and an Extra Long impression pool (XL IMP Color), in which case prints/copies are defined as follows: (a) **Black Image:** for sheet sizes up to 13"x19", each image calculates as (1) Black Print Meter; (b) **Color Image:** for sheet sizes less than 145 square inches in total area, each image calculates as (1) Color Print Meter (e.g., 8.5 x 14 in is NOT oversize (119sq. in)); (c) **Color Large:** for sheet sizes greater than or equal to 145 square inches each sheet calculates as (1) Color Print Meter and (1) Color Large Print Meter (e.g., 11 x 17 in is oversize (187 sq. in)); and (d) **Black and Color Extra Long:** for sheets with a length greater than 19.33", each image calculates as (2) Extra Long Meter and (1) Color Print Meter. No credit will be applied towards unused copies/prints. Customer's obligation to pay all sums when due shall not be subject to any abatement or offset. If any payment is not received by Company within fifteen (15) days of its due date, Company may charge, and Customer will pay a late fee of 5% of the amount due or \$25, whichever is greater (or such lesser rate as is the maximum allowable by law). Company has the right to withhold Services and Supplies, without recourse, for any non-payment. Unless otherwise stated on the Cover Page, Company may, on an annual basis, (a) increase the Base Charge and/or the Overage Rates, in an amount not to exceed 20% per annum and/or (b) where a contract is subject to flat rate pricing, shift Customer's obligation to the applicable flat rate band corresponding to Customer's usage during the previous calendar year. Company retains the right to have all or some of the amounts due hereunder billed and/or collected by third parties. If Customer declines invoice delivery via email and/or automatic payment withdrawal, or requires any specialized billing procedure or invoicing, Company reserves the right to bill an administrative fee, in accordance with Company's currently published fee schedule, which is subject to change from time to time.

8. **Taxes.** Payments are exclusive of all state and local sales, use, excise, privilege and similar taxes, if any. You will be responsible for, indemnify and hold Company harmless from, all applicable taxes, fees or charges (including sales, use, personal property and transfer taxes (other than net income taxes), plus interest and penalties) assessed by any governmental entity on you, the Equipment, this Agreement, or the amounts payable hereunder (collectively, "Taxes"), unless you timely provide continuing proof of your tax exempt status. Customer will pay when due, either directly to the taxing authority or to Company upon demand, all taxes, fines and penalties relating to this Agreement that are now or in the future assessed or levied, except for taxes levied upon Company's income.

9. **Applicable Laws.** Both Parties agree that they will comply with all applicable laws and regulations during the Term.

10. **Limited License to Use Software.** Company grants (and is authorized by its licensor's to grant) Customer a non-exclusive, non-transferable license to use in the U.S.: (a) software and accompanying documentation ("Base Software") only with the Equipment with which it was delivered; and (b) Software that is set forth as a separate line item in this Agreement ("Application Software") (including its accompanying documentation), as applicable, for as long as Customer is current in the payment of all applicable software license fees. "Base Software" and "Application Software" are referred to collectively as "Licensed Software". Customer has no other rights and may not: (1) distribute, copy, modify, create derivatives of, decompile, or reverse engineer Licensed Software; (2) activate Licensed Software delivered with the Equipment in an inactivated state; or (3) allow others to engage in same. Title to, and all intellectual property rights in, Licensed Software will reside solely with Company and/or its licensors (who will be considered third-party beneficiaries of this Section). Licensed Software may contain code capable of automatically disabling the Equipment. Disabling code may be activated if: (x) Company is denied access to periodically reset such code; (y) Customer is notified of a default under this Agreement; or (z) Customer's license is terminated or expires. The Base Software license will terminate: (i) if Customer no longer uses or possesses the Equipment; or (ii) upon the expiration or termination of this Agreement, unless Customer has exercised its option to purchase the Equipment. Neither Company nor its licensors warrant that Licensed Software will be free from errors or that its operation will be uninterrupted. The foregoing terms do not apply to Diagnostic Software or to Licensed Software/documentation accompanied by a clickwrap or shrinkwrap license agreement or otherwise made subject to a separate license agreement.

11. **Diagnostic Software.** Software used to evaluate or maintain the Equipment ("Diagnostic Software") is included with the Equipment. Diagnostic Software is a valuable trade secret of Company or its Licensors. Title to Diagnostic Software will remain with Company or its licensors. Company does not grant Customer any right to use Diagnostic Software, and Customer will not access, use, reproduce, distribute or disclose Diagnostic Software for any purpose (or allow third parties to do so). Customer will allow Company reasonable access to the Equipment to remove or disable Diagnostic Software if Customer is no longer receiving Service from Company, provided that any on-site access to Customer's facility will be during Customer's standard business hours.

12. **Software Support.** Except for Application Software identified as "No Svc." on the Cover Page, Company (or a designated servicer) will provide the software support set forth below ("Software Support"). For Base Software for Equipment, Software Support will be provided during the initial Term and any renewal period but in no event longer than 5 years after Company stops taking customer orders for the subject model of Equipment. For Application Software, Software Support will be provided as long as Customer is current in the payment of all applicable software license and support fees. Company will maintain a web-based or toll-free hotline during Company's standard working hours to report Licensed Software problems and answer Licensed Software-related questions. Company, either directly or with its vendors, will make reasonable efforts to: (a) assure that Licensed Software performs in material conformity with its user documentation; (b) provide available workarounds or patches to resolve Licensed Software performance problems; and (c) resolve coding errors for (i) the current Release and (ii) the previous Release for a period of 6 months after the current Release is made available to Customer. Company will not be required to provide Software Support if Customer has modified the Licensed Software. New releases of Licensed Software that primarily incorporate compliance updates and coding error fixes are designated as "Maintenance Releases" or "Updates". Maintenance Releases or Updates that Company may make available will be provided at no charge and must be implemented within six months. New releases of Licensed Software that include new content or functionality ("Feature Releases") will be subject to additional license fees at then-current pricing. Maintenance Releases, Updates and Feature Releases are collectively referred to as "Releases". Each Release will be considered Licensed Software governed by the Software License and Licensed Software Support provisions of this Agreement (unless otherwise noted). Implementation of a Release may require Customer to procure, at Customer's expense, additional hardware and/or software from Company or another entity. Upon installation of a Release, Customer will return or destroy all prior Releases.

13. **INTELLECTUAL PROPERTY.**

- a. **CUSTOMER'S CONTENT AND CUSTOMER ASSETS.** Customer represents and warrants that it owns the customer assets and its content and materials provided to Company in connection with this Agreement or otherwise has the right to authorize Company to perform the Services hereunder. Customer represents and warrants that such content and materials do not, and shall not, contain any content that (i) is libelous, defamatory or obscene and/or (ii) infringes on or violates any applicable laws, regulations or rights of a third party, including without limitation, export laws, or any proprietary, intellectual property, contract, moral or privacy right or any other third party right.
- b. **XEROX TOOLS.** "Xerox Tools" means certain Xerox proprietary tools (including any modifications, enhancements and derivative works) used by Company to provide certain Services Xerox and its licensors will at all times retain all right, title and interest in and to Xerox Tools including without limitation, all intellectual property rights therein, and, except as expressly set forth herein or as set forth in a SOW where limited access to the Xerox Device Manager (XDM) may be granted for a specific purpose, no rights to use, access or operate the Xerox Tools are granted to Customer. Xerox Tools will be installed and operated only by Company or its authorized agents. If required for royalty reporting purposes, Company may disclose Customer's name and address to Xerox and/or the third-party licensor of certain Xerox Tools. Customer will not decompile or reverse engineer any Xerox Tools or allow others to do so. Customer will have access to reports generated by the Xerox Tools and stored in a provided database as set forth in the applicable SOW. Company may remove Xerox Tools at any time in Company's sole discretion, provided that the removal of Xerox Tools will not affect Company's obligations to perform Services, and Customer shall reasonably facilitate such removal. If Xerox Tools are included as part of the Services, they may be used by Customer only in conjunction with such Services.
- c. **LIMITED LICENSE TO ASSESSMENTS AND REPORTS.** Customer may duplicate and distribute assessments and/or reports prepared by Company pursuant to this Agreement only for Customer's internal business purposes. Any recommendations and processes described in assessments and/or reports may only be implemented by Company for Customer and, if implemented, used by Customer only for Customer's internal business purposes.
- d. **NO GRANTS TO CUSTOMER.** Customer agrees that, except as set forth expressly in this Agreement, no other rights or licenses are granted to Customer. Further, the rights granted to Customer in this Section shall immediately terminate if Customer defaults hereunder with respect to any of its obligations related to such grant.
14. **CONFIDENTIAL INFORMATION.** Information exchanged under this Agreement will be treated as confidential if it is identified as confidential at disclosure or if the circumstances of disclosure would indicate to a reasonable person that the information should be treated as confidential ("Confidential Information"). The terms and conditions of this Agreement are Confidential Information of Company and Customer, and each party agrees not to disclose any of the foregoing without the other party's prior written consent. Confidential Information will be protected using a reasonable degree of care to prevent unauthorized use or disclosure for two (2) years from the termination or expiration of this Agreement under which such Confidential Information was disclosed, whichever occurs later; provided, however, confidentiality with respect to trade secrets and Xerox Tools will not expire. These obligations of confidentiality will not apply to any Confidential Information that: (1) was in the public domain prior to, at the time of, or subsequent to the date of disclosure through no fault of the receiving party; (2) was rightfully in the receiving party's possession or the possession of any third party free of any obligation of confidentiality; (3) was developed by the receiving party's employees independently of and without reference to any of the other party's Confidential Information; or (4) where disclosure is required by law or a government agency. Upon expiration or termination of this Agreement, each party will return to the other or, if requested, destroy, all Confidential Information of the other in its possession or control, except such Confidential Information as may be reasonably necessary to exercise rights that survive termination of this Agreement.
15. **Warranty.** Customer acknowledges that the Products covered by this Agreement were selected by Customer based upon its own judgment. Company shall pass through any applicable manufacturer's warranty to Customer. COMPANY MAKES NO REPRESENTATIONS OR WARRANTIES, EXPRESS OR IMPLIED, ORAL OR WRITTEN, INCLUDING, WITHOUT LIMITATION, IMPLIED WARRANTIES OF NON-INFRINGEMENT; IMPLIED WARRANTIES OF MERCHANTABILITY; OR FITNESS FOR A PARTICULAR PURPOSE, ALL OF WHICH ARE SPECIFICALLY AND UNRESERVEDLY EXCLUDED.
16. **LIMITATION OF LIABILITY.** IN NO EVENT SHALL EITHER PARTY BE LIABLE FOR ANY INDIRECT, SPECIAL, INCIDENTAL, CONSEQUENTIAL DAMAGES, INCLUDING WITHOUT LIMITATION LOSS OF PROFITS, OR PUNITIVE DAMAGES WHETHER BASED IN CONTRACT, TORT, OR ANY OTHER LEGAL THEORY AND IRRESPECTIVE OF WHETHER EITHER PARTY HAS NOTICE OF THE POSSIBILITY OF SUCH DAMAGES. IN NO EVENT SHALL COMPANY BE LIABLE TO CUSTOMER FOR ANY DIRECT DAMAGES IN EXCESS OF THE FEES PAID FOR SERVICES UNDER THIS AGREEMENT BY CUSTOMER TO COMPANY DURING THE SIX-MONTH PERIOD IMMEDIATELY PRECEDING THE EVENT THAT GAVE RISE TO THE CLAIM.
17. **Default; Remedies.** Any of the following events or conditions shall constitute an Event of Default under this Agreement: (a) failure by Customer to make payment when due of any indebtedness to Company or for the Products, whether or not arising under this Agreement, without notice or demand by Company; (b) breach by Customer of any obligation herein; or (c) if Customer ceases doing business as a going concern. If Customer defaults, Company may: (1) require future Services, including Supplies, be paid for in advance, (2) require Customer to immediately pay the amount of the remaining unpaid balance of the Agreement, (3) terminate any and all agreements with Customer, and/or (4) pursue any other remedy permitted at law or in equity. In the Event of Default, remaining payment amounts due will be calculated using the average of the last six months' billing or the amount set forth on the face of the Agreement, whichever is greater, multiplied by the remaining months of the Agreement, to compensate for loss of bargain and not as a penalty. Customer agrees that any delay or failure of Company to enforce its rights under this Agreement does not prevent Company from enforcing any such right at a later time. All of Company's rights and remedies survive the termination of this Agreement. In the event of a dispute arising out of this Agreement or the Products listed herein, should it prevail, Company shall be entitled to collection of its reasonable costs and attorneys' fees incurred in defending or enforcing this Agreement, whether or not litigation is commenced.
18. **Assignment.** Customer may not sell, transfer, or assign this Agreement without the prior written consent of Company. Company may sell, assign or transfer this Agreement.
19. **Notices.** All notices required or permitted under this Agreement shall be by overnight courier such party at the address set forth in this Agreement, or at such other address as such party may designate in writing from time to time. Any notice shall be effective two (2) days after it has been sent via overnight courier.
20. **Indemnification.** Each party, if promptly notified by the other and given the right to control the defense, shall indemnify, defend and hold harmless the other party, its affiliates, and their respective officers, directors, employees, agents, successors and assigns, from and against all claims by a third party for losses, damages, costs or liability of any kind (including expenses and reasonable legal fees) that a court finally awards such party ("Claims") for bodily injury (including death) and damage to real or tangible property, to the extent proximately caused by the negligent acts or omissions, or willful misconduct of the indemnifying party (or its affiliates) in connection with this Agreement.
21. **Fax/Electronic Execution.** A faxed or electronically transmitted version of this Agreement may be considered the original and Customer will not have the right to challenge in court the authenticity or binding effect of any faxed or scanned copy or signature thereon. This Agreement may be signed in counterparts and all counterparts will be considered and constitute the same Agreement.
22. **Warranty to Execute.** Each party represents and warrants to the other, as an essential part of this Agreement, that: (i) it is duly organized and validly existing and in good standing under the laws of the state of its incorporation or formation; (ii) this Agreement has been duly authorized by all appropriate corporate action for signature; and (iii) the individual signing this Agreement is duly authorized to do so.
23. **Miscellaneous.** (a) Choice of Law. This Agreement shall be governed by the laws of the state of TX (without regard to conflict of laws principles); (b) Jury Trial. THE PARTIES EXPRESSLY WAIVE TRIAL BY JURY AS TO ALL ISSUES ARISING OUT OF OR RELATED TO THIS AGREEMENT; (c) Entire Agreement. This Agreement constitutes the entire agreement between the parties with regards to the subject matter herein and supersedes all prior agreements, proposals or negotiations, whether oral or written; (d) Enforceability. If any provision of this Agreement is unenforceable, illegal or invalid, the remaining provisions will remain in full force and effect; (e) Amendments. This Agreement may not be amended or modified except by a writing signed by the parties; provided Customer agrees that Company is authorized, without notice to Customer, to supply missing information or correct obvious errors provided that such change does not materially alter Customer's obligations; (f) Force Majeure. Company shall not be responsible for delays or inability to provide Products or Services caused directly or indirectly by strikes, accidents, climate conditions, parts availability, unsafe travel conditions, or other reasons beyond Company's control.



Copy Plus Rental Agreement

APPLICATION NO.

AGREEMENT NO.

Business Solutions

8200 IH 10 W, Suite 400 San Antonio, TX 78230 - (800) 413-3526

The words "User," "Lessee," "you" and "your" refer to **Customer**. The words "Owner," "Lessor," "we," "us" and "our" refer to **Xerox Business Solutions, LLC**

CUSTOMER INFORMATION

FULL LEGAL NAME City of Watauga			STREET ADDRESS 7105 Whitley Rd	
CITY Watauga	STATE TX	ZIP 76148	PHONE (817) 908-1002	FAX
BILLING NAME (IF DIFFERENT FROM ABOVE) CITY OF WATAUGA			BILLING STREET ADDRESS 7105 WHITLEY RD	
CITY WATAUGA	STATE TX	ZIP 76148	E-MAIL bfraley@wataugatx.org	
EQUIPMENT LOCATION (IF DIFFERENT FROM ABOVE) See attached Schedule A				

EQUIPMENT DESCRIPTION

MAKE/MODEL/ACCESSORIES	SERIAL NO.	STARTING METER

☒ See attached Schedule A

TERM & PAYMENT INFORMATION

36 months	Payments* of \$	\$410.73 Monthly	The payment ("Payment") period is monthly unless otherwise indicated.		*plus applicable taxes	
Payment includes	See attached Schedule A	B&W Pages per month	Overages billed at \$	See attached Schedule A	per B&W page*	
Payment includes	See attached Schedule A	Color Pages per month	Overages billed at \$	See attached Schedule A	per Color page*	
Payment includes	See attached Schedule A	B&W Prints per month	Overages billed at \$	See attached Schedule A	per B&W print*	
Payment includes	See attached Schedule A	Color Prints per month	Overages billed at \$	See attached Schedule A	per Color print*	

Upon acceptance of the Equipment, THIS AGREEMENT IS NONCANCELABLE, IRREVOCABLE AND CANNOT BE TERMINATED.

OWNER ACCEPTANCE

Xerox Business Solutions, LLC		
OWNER	SIGNATURE	PRINT NAME / TITLE DATED

CUSTOMER ACCEPTANCE

BY SIGNING BELOW OR AUTHENTICATING AN ELECTRONIC RECORD HEREOF, YOU CERTIFY THAT YOU HAVE REVIEWED AND DO AGREE TO ALL TERMS AND CONDITIONS OF THIS AGREEMENT ON THIS PAGE AND ON PAGE 2 ATTACHED HERETO. You acknowledge and agree that the Equipment has been delivered to you and you hereby accept such Equipment on an "AS-IS, WHERE-IS" basis for all purposes as of the date hereof. Upon you signing below, your promises herein will be non-cancelable, irrevocable and unconditional in all respects.

City of Watauga		
CUSTOMER (as referenced above)	SIGNATURE	TITLE

FEDERAL TAX I.D. #	PRINT NAME	DATED
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TERMS AND CONDITIONS (Continued on Page 2)

1. **AGREEMENT:** You agree to rent from us the goods, together with all replacements, parts, repairs, additions, and accessions incorporated therein or attached thereto and any and all proceeds of the foregoing, including, without limitation, insurance recoveries ("Equipment") and, if applicable, finance certain intangible items such as software, software or subscription license(s), software components, prepaid cloud credits or professional services (collectively, the "Financed Items," which are included in the word "Equipment" unless separately stated) from licensor(s) and/or supplier(s) (collectively, the "Supplier"), all as described in this Agreement and in any attached schedule, addendum or amendment hereto ("Agreement"). You represent and warrant that you will use the Equipment for business purposes only and that the Equipment is new, unless otherwise noted. You agree to all of the terms and conditions contained in this Agreement, which, with the acceptance certification, is the entire agreement between you and us regarding the Equipment and which supersedes all prior agreements, including any purchase order, invoice, request for proposal, response or other related document. This Agreement becomes valid upon execution by us. In order to facilitate an orderly transition, the start date of this Agreement will be the date the Equipment is delivered to you or a date designated by us. If a later start date is designated, you agree to pay us a transitional payment equal to 1/30th of the Payment, multiplied by the number of days between the date the Equipment is delivered to you and the designated start date. If any provision of this Agreement is declared unenforceable, the other provisions herein shall remain in full force and effect to the fullest extent permitted by law.

2. **OWNERSHIP; PAYMENTS; TAXES AND FEES:** We own the Equipment, excluding any Financed Items. Ownership of any Financed Items shall remain with Supplier thereof. **You will pay all Payments, as adjusted, when due, without notice or demand and without abatement, set-off, counterclaim or deduction of any amount whatsoever.** If any part of a Payment is more than 5 days late, you agree to pay a late charge equal to: a) the higher of 10% of the Payment which is late or \$26.00, or b) if less, the maximum charge allowed by law. The Payment may be adjusted proportionately upward or downward: (i) if the shipping charges or taxes differ from the estimate given to you; and/or (ii) to comply with the tax laws of the state in which the Equipment is located. You agree to reimburse us for all applicable taxes, assessments and penalties related to this Agreement, whenever levied or assessed on this Agreement, on us or you, or on the Equipment, its rental, sale, ownership, possession, use or operation. If we are not going to file and pay, you will be notified in writing within 60 days after commencement and or billed directly to you by your taxing jurisdiction. If we pay any taxes or other expenses that are owed hereunder, you agree to reimburse us when we request and to pay us a processing fee for each expense we pay on your behalf and to pay us an annual tax processing fee up to \$50. You agree to pay us an origination fee of \$189.50 for all closing costs. We may apply all sums received from you to any amounts due and owed to us under the terms of this Agreement. If

for any reason your check is returned for insufficient funds, you will pay us a service charge of \$30 or, if less, the maximum charge allowed by law. We may make a profit on any fees, estimated tax payments and other charges paid under this Agreement.

3. EQUIPMENT; SECURITY INTEREST: At your expense, you shall keep the Equipment: (i) in good repair, condition and working order, in compliance with applicable laws, ordinances and manufacturers' and regulatory standards; (ii) free and clear of all liens and claims; and (iii) at your address shown on page 1, and you agree not to move Equipment unless we agree in writing. You grant us a security interest in the Equipment to secure all amounts you owe us under any agreement with us, except amounts secured by land and buildings in addition to the Equipment. You authorize and ratify our filing of any financing statement(s). You will not change your name, state of organization, headquarters or residence without providing prior written notice to us. You will notify us within 30 days if your state of organization revokes or terminates your existence.

4. INSURANCE; COLLATERAL PROTECTION; INDEMNITY; LOSS OR DAMAGE: You agree to keep the Equipment fully insured against all risk, with us named as lender's loss payee, in an amount not less than the full replacement value of the Equipment until this Agreement is terminated. You also agree to maintain liability insurance with such coverage and from such insurance carrier as shall be satisfactory to us and to include us as an additional insured on the policy. You will provide written notice to us within 10 days of any modification or cancellation of your insurance policy(s). You agree to provide us certificates or other evidence of insurance acceptable to us. If you do not provide us with acceptable evidence of property insurance within 30 days after the start of this Agreement, we may, at our sole discretion, do as provided in either (A) or (B) below: (A) We may secure property loss insurance on the Equipment from a carrier of our choosing in such forms and amounts as we deem reasonable to protect our interests. If we secure insurance on the Equipment, we will not name you as an insured party, your interests may not be fully protected, and you will reimburse us the premium which may be higher than the premium you would pay if you obtained insurance, and which may result in a profit to us through an investment in reinsurance. In addition, you agree to pay us our standard fees in connection with obtaining such insurance. If you are current in all of your obligations under the Agreement at the time of loss, any insurance proceeds received will be applied, at our option, to repair or replace the Equipment, or to pay us the remaining payments due or to become due under this Agreement, plus our booked residual, both discounted at 2% per annum. (B) We charge you a monthly property damage surcharge of up to .0035 of the Equipment cost as a result of our credit risk and administrative and other costs, as would be further described on a letter from us to you. We may make a profit on this program. **NOTHING IN THIS PARAGRAPH WILL RELIEVE YOU OF RESPONSIBILITY FOR LIABILITY INSURANCE ON THE EQUIPMENT.** We are not responsible for, and you agree to hold us harmless and reimburse us for and to defend on our behalf against, any claim for any loss, expense, liability or injury caused by or in any way related to delivery, installation, possession, ownership, renting, manufacture, use, condition, inspection, removal, return or storage of the Equipment. All indemnities will survive the expiration or termination of this Agreement. You are responsible for any loss, theft, destruction or damage to the Equipment ("Loss"), regardless of cause, whether or not insured. You agree to promptly notify us in writing of any Loss. If a Loss occurs and we have not otherwise agreed in writing, you will promptly pay to us the unpaid balance of this Agreement, including any future Payments to the end of the term plus the anticipated residual value of the Equipment, both discounted to present value at 2%. Any proceeds of insurance will be paid to us and credited against the Loss. You authorize us to sign on your behalf and appoint us as your attorney-in-fact to endorse in your name any insurance drafts or checks issued due to a Loss.

5. ASSIGNMENT: YOU SHALL NOT SELL, TRANSFER, ASSIGN, ENCUMBER, PLEDGE OR SUBLEASE THE EQUIPMENT OR THIS AGREEMENT, without our prior written consent, which will not be unreasonably withheld. You shall not consolidate or merge with or into any other entity, distribute, sell or dispose of all or any substantial portion of your assets other than in the ordinary course of business, without our prior written consent, which shall not be unreasonably withheld, and the surviving, or successor entity or the transferee of such assets, as the case may be, shall assume all of your obligations under this Agreement by a written instrument acceptable to us. No event shall occur which causes or results in a transfer of majority ownership of you while any obligations are outstanding hereunder. We may sell, assign, or transfer this Agreement without notice to or consent from you. You agree that if we sell, assign or transfer this Agreement, our assignee will have the same rights and benefits that we have now and will not have to perform any of our obligations. **You agree that our assignee will not be subject to any claims, defenses, or offsets that you may have against us.** This Agreement shall be binding on and inure to the benefit of the parties hereto and their respective successors and assigns.

6. DEFAULT AND REMEDIES: You will be in default if: (i) you do not pay any Payment or other sum due to us or you fail to perform in accordance with the covenants, terms and conditions of this Agreement or any other agreement with us or any of our affiliates; (ii) you make or have made any false statement or misrepresentation to us; (iii) you or any guarantor dies, dissolves, liquidates, terminates existence or is in bankruptcy; (iv) you or any guarantor suffers a material adverse change in its financial, business or operating condition; or (v) any guarantor defaults under any guaranty for this Agreement. If you are ever in default, at our option, we can cancel this Agreement and require that you pay the unpaid balance of this Agreement, including any future Payments to the end of term plus the anticipated residual value of the Equipment, both discounted to present value at 2%. We may recover default interest on any unpaid amount at the rate of 12% per year. Concurrently and cumulatively, we may also use any remedies available to us under the UCC and any other law and we may require that you immediately stop using any Financed Items. If we take possession of the Equipment, you agree to pay the costs of repossession, moving, storage, repair and sale. The net proceeds of the sale of any Equipment will be credited against what you owe us under this Agreement and you will be responsible for any deficiency. In the event of any dispute or enforcement of our rights under this Agreement or any related agreement, you agree to pay our reasonable attorneys' fees (including any incurred before or at trial, on appeal or in any other proceeding), actual court costs and any other collection costs, including any collection agency fee. **LIMITATION ON LIABILITY: IN NO EVENT SHALL WE BE LIABLE TO YOU FOR ANY INDIRECT, INCIDENTAL, EXEMPLARY, PUNITIVE, SPECIAL OR CONSEQUENTIAL DAMAGES, INCLUDING WITHOUT LIMITATION, DAMAGES FOR LOST PROFITS, REGARDLESS OF THE FORM OF ACTION, WHETHER IN CONTRACT, TORT (INCLUDING NEGLIGENCE) OR OTHERWISE, AND EVEN IF ADVISED OF THE POSSIBILITY OF SUCH DAMAGES. IN NO EVENT SHALL WE BE LIABLE TO YOU FOR ANY DIRECT DAMAGES IN EXCESS OF THE FEES PAID BY YOU UNDER THIS AGREEMENT IN THE SIX-MONTH PERIOD IMMEDIATELY PRECEDING THE EVENT THAT GIVES RISE TO THE CLAIM.** Any delay or failure to enforce our rights under this Agreement will not prevent us from enforcing any rights at a later time. **You agree that this Agreement shall be a "Finance Lease" as defined by Article 2A of the UCC and your rights and remedies are governed exclusively by this Agreement. You waive all rights under sections 2A-508 through 522 of the UCC, as may be amended.** If interest is charged or collected in excess of the maximum lawful rate, we will refund such excess to you, which will be your sole remedy.

7. INSPECTIONS AND REPORTS: We have the right, at any reasonable time, to inspect the Equipment and any documents relating to its installation, use, maintenance and repair. Within 30 days after our request, you will deliver all requested information which we deem reasonably necessary to determine your current financial condition and faithful performance of the terms hereof. Financial information will generally not be required unless your exposure with us exceeds \$1,000,000. Unless otherwise accepted by us, each financial statement shall be prepared in accordance with generally accepted accounting principles consistently applied and shall fairly and accurately present your financial condition and results of operations for the period to which it pertains. You authorize us to obtain credit bureau reports for credit and collection purposes and to share them with our affiliates and agents.

8. END OF TERM: At the end of the initial term, this Agreement shall renew for successive 12-month renewal term(s) under the same terms hereof unless you send us written notice between 90 and 150 days before the end of the initial term or at least 60 days before the end of any renewal term that you want to return the Equipment, and you timely return the Equipment. You shall continue making Payments and paying all other amounts due after the end of the initial term until the Equipment is returned in accordance with the terms of this Agreement. As long as you have given us the required written notice, you will return all of the Equipment to a location we specify, at your expense, in retail re-saleable condition, full working order and complete repair. If you so request, and we permit the early termination of this Agreement, you agree to pay a fee for such privilege. **YOU ARE SOLELY RESPONSIBLE FOR REMOVING ANY DATA THAT MAY RESIDE IN THE EQUIPMENT, INCLUDING BUT NOT LIMITED TO HARD DRIVES, DISK DRIVES OR ANY OTHER FORM OF MEMORY.** You cannot pay off this Agreement or return the Equipment prior to the end of the initial term without our consent. If we consent, we may charge you, in addition to other amounts owed, an early termination fee.

9. USA PATRIOT ACT NOTICE; ANTI-TERRORISM AND ANTI-CORRUPTION COMPLIANCE: To help the government fight the funding of terrorism and money laundering activities, federal law requires all financial institutions to obtain, verify, and record information that identifies each customer who opens an account. When you enter into a transaction with us, we ask for your business name, address and other information that will allow us to identify you. We may also ask to see other documents that substantiate your business identity. You and any other person who you control, own a controlling interest in, or who owns a controlling interest in or otherwise controls you in any manner ("Representatives") are and will remain in full compliance with all laws, regulations and government guidance concerning foreign asset control, trade sanctions, embargoes, and the prevention and detection of money laundering, bribery, corruption, and terrorism, and neither you nor any of your Representatives is or will be listed in any Sanctions-related list of designated persons maintained by the U.S. Department of Treasury's Office of Foreign Assets Control or successor or the U.S. Department of State. You shall, and shall cause any Representative to, provide such information and take such actions as are reasonably requested by us in order to assist us in maintaining compliance with anti-money laundering laws and regulations.

10. MISCELLANEOUS: Unless otherwise stated in an amendment, supplement or addendum hereto, the parties agree that: (i) this Agreement and any related documents hereto may be authenticated by electronic means; (ii) the "original" of this Agreement shall be the copy that bears your manual, facsimile, scanned or electronic signature and that also bears our manually signed signature and is held by us; and (iii) to the extent this Agreement constitutes chattel paper (as defined by the UCC), a security interest may only be created in the original. Notwithstanding the foregoing, (i) for evidentiary purposes, any faxed, scanned or electronic copy of this Agreement may be considered the original, and you waive the right to challenge in court the authenticity or binding effect of any such copy or signature thereon; and (ii) we reserve the right to require you to sign any instrument manually and to deliver to us an original of such document. You agree to execute any further documents that we may request to carry out the intents and purposes of this Agreement. All notices shall be mailed or delivered by electronic transmission or via overnight courier to the respective parties at the addresses shown on this Agreement or such other address as a party may provide in writing from time to time. By providing us with a telephone number for a cellular phone or other wireless device, including a number that you later convert to a cellular number, you are expressly consenting to receiving communications, including but not limited to prerecorded or artificial voice message calls, text messages, and calls made by an automatic telephone dialing system, from us and our affiliates and agents at that number. This express consent applies to each such telephone number that you provide to us now or in the future and permits such calls for non-marketing purposes. Calls and messages may incur access fees from your cellular provider. You authorize us to make non-material amendments (including completing and conforming the description of the Equipment) on any document in connection with this Agreement. **Unless stated otherwise herein, all other modifications to this Agreement must be in writing and signed by each party or in a duly authenticated electronic record.** This Agreement may not be modified by course of performance. You authorize us to insert or correct missing information on this Agreement, including but not limited to agreement numbers, serial numbers and other Equipment information.

11. WARRANTY DISCLAIMERS: WE ARE RENTING THE EQUIPMENT TO YOU "AS-IS." YOU HAVE SELECTED SUPPLIER(S) AND THE EQUIPMENT BASED UPON YOUR OWN JUDGMENT. IN THE EVENT WE ASSIGN THIS AGREEMENT, OUR ASSIGNEE DOES NOT TAKE RESPONSIBILITIES FOR THE INSTALLATION OR PERFORMANCE OF THE EQUIPMENT. **YOU WILL CONTINUE TO MAKE ALL PAYMENTS UNDER THIS AGREEMENT REGARDLESS OF ANY CLAIM OR COMPLAINT AGAINST ANY SUPPLIER, LICENSOR OR MANUFACTURER, AND ANY FAILURE OF A SERVICE PROVIDER TO PROVIDE SERVICES WILL NOT EXCUSE YOUR OBLIGATIONS TO US UNDER THIS AGREEMENT. YOU ARE NOT ENTITLED TO REDUCE OR SET-OFF AGAINST AMOUNTS DUE UNDER THIS AGREEMENT FOR ANY REASON, INCLUDING ALL INSTANCES WHERE THE TERM OF A FINANCED ITEM OR ASSOCIATED SERVICE MAY NOT BE COTERMINOUS WITH THE TERM OF THIS AGREEMENT. WE MAKE NO WARRANTIES, EXPRESS OR IMPLIED, OF, AND TAKE ABSOLUTELY NO RESPONSIBILITY FOR, MERCHANTABILITY, FITNESS FOR ANY PARTICULAR PURPOSE, CONDITION, QUALITY, ADEQUACY, TITLE, DATA ACCURACY, SYSTEM INTEGRATION, FUNCTION, DEFECTS, OR ANY OTHER ISSUE IN REGARD TO THE EQUIPMENT, ANY ASSOCIATED SOFTWARE AND ANY FINANCED ITEMS. SO LONG AS YOU ARE NOT IN DEFAULT UNDER THIS AGREEMENT, WE ASSIGN TO YOU ANY WARRANTIES GIVEN TO US.**

12. LAW; JURISDICTION/VENUE; JURY WAIVER: This Agreement will be governed by and construed in accordance with the law of the state of the principal place of business of Owner or, if assigned, the assignee's principal place of business. You consent to the jurisdiction and venue of any state or federal court in the state of the Owner or, if assigned, where its assignee has its principal place of business and waive the defense of inconvenient forum. For any action arising out of or relating to this Agreement or the Equipment, **BOTH PARTIES WAIVE ALL RIGHTS TO A TRIAL BY JURY.**

13. MAINTENANCE AND SUPPLIES: The charges established by this Agreement include payment for the use of the Equipment, accessories, maintenance by Supplier(s) during normal business hours, inspection, adjustment, parts replacement, drums, cleaning material required for proper operation and toner and developer. Paper and staples must be separately purchased by you. The per page/print charge and overages per page/print charge are based upon an 8 1/2" x 11" letter size page, print with an average 5% image fill, or its equivalent. If we determine that you have used 15% more consumable supplies than normal (as determined by the manufacturer's specifications) to produce pages/prints, you agree to pay us an amount from time to time which may be necessary to offset such increased usage. If necessary, the maintenance and supply portion of this Agreement may be assigned by us. We may charge you a monthly supply freight fee to cover our costs of shipping supplies to you. You agree to pay all amounts owing under this Agreement regardless of any claim you have against Supplier relating to the maintenance and supplies, which are being provided to you pursuant to a separate arrangement with Supplier ("Arrangement"). Supplier will be solely responsible for performing all services and providing all supplies under the Arrangement. Services may be delivered by Supplier's affiliates and/or subcontractors, at Supplier's sole discretion. You agree not to hold Owner (if different from Supplier) or any assignee of this Agreement responsible for Supplier's obligations under the Arrangement. As a convenience to you, we may provide you with one invoice covering amounts owing under this Agreement and the Arrangement. Each month, you are entitled to produce the minimum number of pages/prints shown on page 1 for each applicable page/print type. Regardless of the number of pages/prints made, you will never pay less than the minimum Payment. You agree to provide periodic meter readings on the Equipment. You agree to pay the applicable overage charge for each metered page/print that exceeds the applicable minimum number of pages/prints. Pages/prints made on equipment marked as not financed under this Agreement will be included in determining your page/print and overage charges. At the end of the first year of this Agreement, and once each successive 12-month period thereafter, the Payment and the overage charges may be increased by a maximum of 20% of the existing payment or charge and where a contract is subject to flat rate pricing, modify the Payment accordingly based on Customer's usage during the previous 12-month period.

14. METER; ELECTRIC SERVICES: Most equipment will be connected to a remote transmission tool which will report the number of images made on the Equipment each month and upon which monthly invoices will be based. If a remote transmission tool is not installed and otherwise upon request, you will provide us, by telephone, e-mail or fax with the actual meter readings three days prior to your due date. We may estimate the number of images used if such meter readings are not received from you by us within 2 days. The estimated charge for excess images shall be adjusted upon receipt of actual meter readings. If you are unable to maintain remote transmission, we reserve the right to charge you a per device fee for such affected Equipment due to the increased service visits that will be required in order for Supplier to: (x) obtain such information, (y) provide such transmissions and/or (z) provide such maintenance services and supplies that otherwise would have been provided remotely and/or proactively. If you elect to not install a remote transmission tool, a manual meter collection fee as outlined on the Supplier's currently published fee schedule shall apply. You agree to provide adequate space without charge for the Equipment, adequate electricity (including, if necessary, a dedicated 110 or 220 volt line), an electrical surge suppressor with a UL-1449 rating or better, and reasonable storage for supplies to be used with the equipment.



Schedule A

APPLICATION NO.

AGREEMENT NO.

Business Solutions

This Schedule "A" is to be attached to and becomes part of the above-referenced Agreement by and between the undersigned and **Xerox Business Solutions, LLC**.

EQUIPMENT DESCRIPTION

Quantity	Model and Description	Location	Serial Number	Starting Meter	Meter Pools
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METER POOL INFORMATION

Name	Allowance	Excess Rate	Excess Frequency
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SOFTWARE / IT

Quantity	Description	Location
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CUSTOMER ACCEPTANCE

This Schedule "A" is hereby verified as correct by the undersigned Customer, who acknowledges receipt of a copy.

City of Watauga

CUSTOMER (as referenced above)

X

SIGNATURE

PRINT NAME / TITLE

DATED

CUSTOMER			SALES & SERVICE AGREEMENT				BILL TO	
CUSTOMER NAME City of Watauga			CUSTOMER NAME CITY OF WATAUGA					
ADDRESS 7105 Whitley Rd			ADDRESS 7105 WHITLEY RD					
CITY, STATE ZIP Watauga, TX 76148			CITY, STATE ZIP WATAUGA, TX 76148					
PRIMARY CONTACT PERSON Bradley Fraley	PRIMARY PHONE NUMBER 8179081002	PRIMARY EMAIL braley@cityofwataugatx.org	BILL TO CONTACT PERSON Bradley Fraley	BILL TO PHONE NUMBER 8179081002	BILL TO EMAIL braley@cityofwataugatx.org			
SALESPERSON Rozlyn Geason	CUSTOMER PURCHASE ORDER #	COMPANY REFERENCE # 20442419	SERVICE CONTRACT ☐	MPS CONTRACT ☐				
			CONTRACT #	CONTRACT #				
LEASE PAYMENT			MONTHLY SERVICE PAYMENT		MONTHLY MPS PAYMENT			
\$323.09 Monthly			N/A		N/A			
TERMS OF PAYMENT: NET THIRTY (30) DAYS FOR CASH SALE AND ALL OTHER INVOICES NET THIRTY (30) DAYS FROM DATE OF INVOICE								

PRODUCTS				
QTY	MODEL/PRODUCT #	LOCATION	DESCRIPTION	TOTAL PRICE
SEE PRODUCT SCHEDULE (SCHEDULE A)				

☒ SEE PRODUCT SCHEDULE (SCHEDULE A)		☐ SEE TRADE-IN EQUIPMENT / LEASE RETURN FORM		SUBTOTAL	
				SPECIAL SERVICES FEES	\$0.00
NOTE / ADJUSTMENT DETAILS				OTHER ADJUSTMENTS	\$0.00
CONTRACT TYPE		EFFECTIVE DATES			TRANSACTION TYPE
☐ CASH SALE	☐ RENTAL	TERM IN MONTHS	60 Months	Actual start date based on delivery or lease commencement.	\$1 BUYOUT(SLG)
☒ LEASE	☐ MAINTENANCE ONLY	PROPOSED START DATE			
CONTRACT TERMS					NOTES
SERVICE	MPS				
☐	☐	All parts, labor, drums and supplies; excluding paper and staples			
☐	☐	All parts and labor, including drums; excluding supplies, paper, and staples			
☐	☐	Remote Solve Opt-Out			
☐	☐	Includes other (indicate)			

CONTRACT POOLS				■ SERVICE		■ MPS	
POOL	MONTHLY VOLUME	OVG. RATE	MONTHLY PAYMENT	BASE FRQNCY	OVG. FRQNCY		
REMOTE SERVICE TECHNOLOGY XDA (Monitoring Only): 0 Devices Covered				PRIMARY METER CONTACT			
TECHNOLOGY CONTACT PERSON Bradley Fraley	TECH PHONE # 8179081002	TECH EMAIL braley@cityofwataugatx.org	METER CONTACT PERSON Bradley Fraley	METER PHONE # 8179081002	METER EMAIL braley@cityofwataugatx.org		
Company will install an app to automatically collect device meters for contract billing and automated supply replenishment. Company will charge a fee per machine per overage billing cycle should customer decline meter and supply technology app installation.							
QTY	MODEL / PRODUCT #	SOFTWARE & DESCRIPTION	☒	SEE SOW FOR DETAILS	TOTAL PRICE		
SEE PRODUCT SCHEDULE (SCHEDULE A)							

CUSTOMER ACCEPTANCE			
By executing this agreement, I acknowledge that I have read and understand this agreement and I certify that I am authorized to execute this agreement on behalf of customer. Authorized signature acknowledges terms / conditions and expiration dates or meter readings. The terms and conditions on the face and reverse side of this agreement correctly set forth the entire agreement between parties.			
AUTHORIZED CUSTOMER SIGNATURE:	TITLE:		
SIGNER'S NAME (PRINTED):	DATE:		
COMPANY SALES:	DATE:		

Sales & Service Terms and Conditions

1. **Definitions.** The first page of this Sales & Service Agreement is referred to herein as the "Cover Page." The Cover Page, these Terms and Conditions, any Schedules (e.g., a Product Schedule), Statements of Work ("SOW"), and/or any other attachments referenced on the Cover Page or attached hereto and incorporated herein represent the agreement (the "Agreement") between Company and the Customer ("Parties") as identified on the Cover Page of this Agreement, with respect to the acquisition of those Products and/or Services. "Products" shall mean the equipment ("Equipment") and any Software ("Application Software") identified on the Cover Page and/or on a Product Schedule.

2. **Scope.** This Agreement may be executed for:

a) A SALE of Products. If a SALE, Company hereby offers to sell/license and Customer hereby accepts to purchase/license those Products in the quantity and for the price indicated on the Cover Page (and/or Product Schedule). Payment terms are set forth in Section 7, below. Title to the Equipment will transfer to Customer upon delivery;

b) A LEASE of Products. If a LEASE, Customer will execute a separate lease agreement which will fund the purchase/license of the Products in the quantity indicated on the Cover Page (and/or Product Schedule) for the benefit of Customer. The lease will be between (i) Customer and a third-party lessor or (ii) Customer and Company, which Company shall then assign to a third-party lessor (each a "Lessor"). Nothing herein shall alter, amend, or affect Customer's or Lessor's rights or obligations pursuant to such lease. Upon execution of a lease agreement between Customer and Lessor, Customer shall be responsible to Lessor to satisfy the terms and conditions of the lease;

c) A RENTAL of Products. If a RENTAL, Company hereby offers to rent and Customer hereby accepts to pay for those Products in the quantity and for the price indicated on the Cover Page (and/or Product Schedule). Payment terms are set forth in Section 7, below. Title will remain with Company throughout the Term as indicated on the Cover Page. Customer agrees to obtain adequate insurance coverage sufficient to cover the full replacement value of the rental equipment while in Customer's possession, and to have Company named as the loss payee. Unless otherwise stated in the Cover Page, the rental is non-cancellable for the stated term; and/or

d) An ACQUISITION of SERVICES. Services may include those Services referenced in Section 4 of this Agreement and/or such additional Services outlined in one or more SOWs or Schedules attached hereto. Payment terms for Services shall be in accordance with Section 7, below.

3. **Delivery and Installation.** Unless specified otherwise on the Cover Page, for any Sale, Lease, or Rental, Company shall deliver and install the Products at the location specified by Customer on the Cover Page and/or Product Schedule unless: (1) Customer has not made available at that address a suitable place of installation as specified by the Company; or (2) Customer has not made available suitable electrical service in accordance with the Underwriter's Lab ("UL") or manufacturer's requirements. All risk of loss will transfer to the Customer upon delivery. Customer will be responsible for nonstandard delivery charges. Relocation of Products to a location other than that specified on the Cover Page and/or Product Schedule requires Company's consent and may result in fees or increased rates.

4. **Services.** This Agreement covers both the labor and materials for adjustments, repairs, and replacement of parts necessitated by normal use of the Equipment. Unless otherwise stated on the Cover Page, Services do not include the following: (a) repairs due to (i) misuse, neglect, or abuse (including, without limitation, improper voltage or use of supplies that do not conform to the manufacturers' specifications), (ii) use of options, accessories, products, supplies not provided by Company; (iii) non-Company alterations, relocation, or service; and/or (iv) loss or damage resulting from accidents, fire, water, or theft; (b) maintenance requested outside Company's normal business hours or this Agreement, (c) relocation, (d) software or connected hardware, (e) hard drive replacement, (f) MICR Toner for Laser Printers, and parts and labor for all non-laser printers, and/or (g) parts for Scanners. Company reserves the right, at its sole discretion, to replace Equipment with Equipment of similar or better conditions and features, rather than providing on-site Service support. Replacement parts may be new, reprocessed, or recovered. Supplies provided by Company are in accordance with the copy volumes set forth on the Cover Page and within the manufacturer's stated yields, and do not include staples or paper. Supplies are to be used exclusively for the Equipment and remain Company property until consumed. Customer will return, or allow Company to retrieve, any unused supplies at the termination or expiration of this Agreement. Customer is responsible for the cost of excess supplies. Supplies will be shipped to Customer via UPS Ground, or another method selected by Company. Unless otherwise stated herein, Customer will be billed for shipping, including, but not limited to, UPS Ground, Overnight, and/or Messenger Service per billing period or per shipment based on number of products. Additional fees may be charged for Services provided outside Company's standard business hours or for computer/network issues and will be at Company hourly rates in effect at the time of such Services. Equipment may be supported and serviced using data that is automatically collected by Company from the Equipment via electronic transmission from the Equipment to a secure off-site location. Examples of automatically transmitted data include product registration, meter read, supply level, Equipment configuration and settings, software version, and problem/fault code data. All such data will be transmitted in a secure manner specified by Company. The automatic data transmission capability does not permit Company to read, view or download any Customer data, documents or other information residing on or passing through the Equipment or Customer's information management systems. Services may be delivered by Company's Affiliates and/or Subcontractors, at Company's sole discretion. Unless otherwise stated on the Cover Page, Company may charge and Customer shall pay a charge for each instance in which Customer declines Company's use of remote technology to provide Services. Unless otherwise agreed to in writing, Customer remains solely responsible to secure any sensitive data and permanently delete such data from the internal media storage prior to removal of Equipment or termination of this Agreement. Company has no obligation to maintain Equipment beyond the "End of Service" for that particular model of Equipment. End of Service ("EOS") means the date announced by manufacturer after which Company will no longer offer Services for a particular Equipment model. Company reserves the right to discontinue Service upon thirty days written notice for any Equipment for which parts and/or Supplies are no longer available, or are not available on commercially reasonable terms.

5. **Meter; Electric Services.** Equipment is required to be connected to a remote transmission tool, which will periodically communicate meter reads as well as other device diagnostic data and upon which invoices will be based. If a remote transmission tool is not installed and otherwise upon request, you will provide us, by telephone, email, web submission, or fax with the actual meter readings three days prior to your due date. We may estimate the number of images used if such meter readings are not communicated to Company. The estimated charge for excess images shall be adjusted upon receipt of actual meter readings. If you do not maintain remote transmission, the Company reserves the right to charge you a per device fee for such affected Equipment due to the increased service visits that will be required in order to: (x) obtain such information, (y) provide such transmissions and (z) provide such Maintenance Services and Consumable Supplies that otherwise would have been provided remotely and/or proactively. If you elect to not install a remote transmission tool, the contract is subject to the unconnected device charge outlined on the Company's currently published fee schedule. You agree to provide adequate space without charge for the Equipment, adequate electricity (including, if necessary, a dedicated 110 or 220-volt line), an electrical surge suppressor with a UL-1449 rating or better, and reasonable storage for supplies to be used with the Equipment.

6. **Additions and Modifications.** If, at any time during the Term, Customer upgrades, modifies, or adds equipment that utilizes the same Supplies as the Equipment, Customer shall promptly notify Company. Company maintains the right to inspect any upgrades and modifications to Equipment and/or additional equipment and determine whether equipment is eligible for Services. If approved for Services and agreed by the Parties, the Agreement will be amended to include such changes, including pricing modifications. All networked devices must be set up with our monitoring app for meters and Supplies. Any devices not under contract will be added automatically to the account for the listed rate. If our monitoring software is not reporting, Customer must work with us to resolve the issue as soon as possible.

7. **Term and Payment.** Except as may otherwise be provided for herein, this Agreement is non-cancellable and shall remain in effect throughout the Term; and, unless notified in writing sixty (60) days prior to its expiration, this Agreement shall automatically renew for twelve (12) months. Company reserves the right to terminate Services upon thirty (30) days written notice. In the event the fees herein are included in Customer's lease payment, the Term shall run concurrently with the lease agreement and be subject to the renewal provisions provided for therein. The meter count at installation or, in the case of owned printers, at assessment, will be used for meter/overages calculations. Customer agrees to pay Company all amounts due within thirty (30) days of the date of Company's invoice or, if the parties have agreed the third-party lessor will collect the Services fees due under this Agreement on behalf of Company, in accordance with the applicable lease agreement, and all other sums when due and payable. Except where the Cover Page denotes flat rate pricing, any Monthly Payment entitles Customer to Services and Supplies for a specific number and type (i.e. black & white, color, scan) of Prints/Copies as identified on the Cover Page and will be billed in advance, and Customer agrees to pay the Overage Rate for each Print/Copy that exceeds the applicable number and type of Prints/Copies provided in the Minimum Monthly Payment which amount shall be billed in arrears and is payable as indicated on the Cover Page. A Print/Copy is defined as standard 8.5"x11" copy, except where Equipment is designated on the Cover Page as having a Color Large impression pool (Color LG) and an Extra Long impression pool (XL IMP Color), in which case prints/copies are defined as follows: (a) **Black Image:** for sheet sizes up to 13"x19", each image calculates as (1) Black Print Meter; (b) **Color Image:** for sheet sizes less than 145 square inches in total area, each image calculates as (1) Color Print Meter (e.g., 8.5 x 14 in is NOT oversize (119sq. in)); (c) **Color Large:** for sheet sizes greater than or equal to 145 square inches each sheet calculates as (1) Color Print Meter and (1) Color Large Print Meter (e.g., 11 x 17 in is oversize (187 sq. in)); and (d) **Black and Color Extra Long:** for sheets with a length greater than 19.33", each image calculates as (2) Extra Long Meter and (1) Color Print Meter. No credit will be applied towards unused copies/prints. Customer's obligation to pay all sums when due shall not be subject to any abatement or offset. If any payment is not received by Company within fifteen (15) days of its due date, Company may charge, and Customer will pay a late fee of 5% of the amount due or \$25, whichever is greater (or such lesser rate as is the maximum allowable by law). Company has the right to withhold Services and Supplies, without recourse, for any non-payment. Unless otherwise stated on the Cover Page, Company may, on an annual basis, (a) increase the Base Charge and/or the Overage Rates, in an amount not to exceed 20% per annum and/or (b) where a contract is subject to flat rate pricing, shift Customer's obligation to the applicable flat rate band corresponding to Customer's usage during the previous calendar year. Company retains the right to have all or some of the amounts due hereunder billed and/or collected by third parties. If Customer declines invoice delivery via email and/or automatic payment withdrawal, or requires any specialized billing procedure or invoicing, Company reserves the right to bill an administrative fee, in accordance with Company's currently published fee schedule, which is subject to change from time to time.

8. **Taxes.** Payments are exclusive of all state and local sales, use, excise, privilege and similar taxes, if any. You will be responsible for, indemnify and hold Company harmless from, all applicable taxes, fees or charges (including sales, use, personal property and transfer taxes (other than net income taxes), plus interest and penalties) assessed by any governmental entity on you, the Equipment, this Agreement, or the amounts payable hereunder (collectively, "Taxes"), unless you timely provide continuing proof of your tax exempt status. Customer will pay when due, either directly to the taxing authority or to Company upon demand, all taxes, fines and penalties relating to this Agreement that are now or in the future assessed or levied, except for taxes levied upon Company's income.

9. **Applicable Laws.** Both Parties agree that they will comply with all applicable laws and regulations during the Term.

10. **Limited License to Use Software.** Company grants (and is authorized by its licensor's to grant) Customer a non-exclusive, non-transferable license to use in the U.S.: (a) software and accompanying documentation ("Base Software") only with the Equipment with which it was delivered; and (b) Software that is set forth as a separate line item in this Agreement ("Application Software") (including its accompanying documentation), as applicable, for as long as Customer is current in the payment of all applicable software license fees. "Base Software" and "Application Software" are referred to collectively as "Licensed Software". Customer has no other rights and may not: (1) distribute, copy, modify, create derivatives of, decompile, or reverse engineer Licensed Software; (2) activate Licensed Software delivered with the Equipment in an inactivated state; or (3) allow others to engage in same. Title to, and all intellectual property rights in, Licensed Software will reside solely with Company and/or its licensors (who will be considered third-party beneficiaries of this Section). Licensed Software may contain code capable of automatically disabling the Equipment. Disabling code may be activated if: (x) Company is denied access to periodically reset such code; (y) Customer is notified of a default under this Agreement; or (z) Customer's license is terminated or expires. The Base Software license will terminate: (i) if Customer no longer uses or possesses the Equipment; or (ii) upon the expiration or termination of this Agreement, unless Customer has exercised its option to purchase the Equipment. Neither Company nor its licensors warrant that Licensed Software will be free from errors or that its operation will be uninterrupted. The foregoing terms do not apply to Diagnostic Software or to Licensed Software/documentation accompanied by a clickwrap or shrinkwrap license agreement or otherwise made subject to a separate license agreement.

11. **Diagnostic Software.** Software used to evaluate or maintain the Equipment ("Diagnostic Software") is included with the Equipment. Diagnostic Software is a valuable trade secret of Company or its Licensors. Title to Diagnostic Software will remain with Company or its licensors. Company does not grant Customer any right to use Diagnostic Software, and Customer will not access, use, reproduce, distribute or disclose Diagnostic Software for any purpose (or allow third parties to do so). Customer will allow Company reasonable access to the Equipment to remove or disable Diagnostic Software if Customer is no longer receiving Service from Company, provided that any on-site access to Customer's facility will be during Customer's standard business hours.

12. **Software Support.** Except for Application Software identified as "No Svc." on the Cover Page, Company (or a designated servicer) will provide the software support set forth below ("Software Support"). For Base Software for Equipment, Software Support will be provided during the initial Term and any renewal period but in no event longer than 5 years after Company stops taking customer orders for the subject model of Equipment. For Application Software, Software Support will be provided as long as Customer is current in the payment of all applicable software license and support fees. Company will maintain a web-based or toll-free hotline during Company's standard working hours to report Licensed Software problems and answer Licensed Software-related questions. Company, either directly or with its vendors, will make reasonable efforts to: (a) assure that Licensed Software performs in material conformity with its user documentation; (b) provide available workarounds or patches to resolve Licensed Software performance problems; and (c) resolve coding errors for (i) the current Release and (ii) the previous Release for a period of 6 months after the current Release is made available to Customer. Company will not be required to provide Software Support if Customer has modified the Licensed Software. New releases of Licensed Software that primarily incorporate compliance updates and coding error fixes are designated as "Maintenance Releases" or "Updates". Maintenance Releases or Updates that Company may make available will be provided at no charge and must be implemented within six months. New releases of Licensed Software that include new content or functionality ("Feature Releases") will be subject to additional license fees at then-current pricing. Maintenance Releases, Updates and Feature Releases are collectively referred to as "Releases". Each Release will be considered Licensed Software governed by the Software License and Licensed Software Support provisions of this Agreement (unless otherwise noted). Implementation of a Release may require Customer to procure, at Customer's expense, additional hardware and/or software from Company or another entity. Upon installation of a Release, Customer will return or destroy all prior Releases.

13. **INTELLECTUAL PROPERTY.**

- a. **CUSTOMER'S CONTENT AND CUSTOMER ASSETS.** Customer represents and warrants that it owns the customer assets and its content and materials provided to Company in connection with this Agreement or otherwise has the right to authorize Company to perform the Services hereunder. Customer represents and warrants that such content and materials do not, and shall not, contain any content that (i) is libelous, defamatory or obscene and/or (ii) infringes on or violates any applicable laws, regulations or rights of a third party, including without limitation, export laws, or any proprietary, intellectual property, contract, moral or privacy right or any other third party right.
- b. **XEROX TOOLS.** "Xerox Tools" means certain Xerox proprietary tools (including any modifications, enhancements and derivative works) used by Company to provide certain Services Xerox and its licensors will at all times retain all right, title and interest in and to Xerox Tools including without limitation, all intellectual property rights therein, and, except as expressly set forth herein or as set forth in a SOW where limited access to the Xerox Device Manager (XDM) may be granted for a specific purpose, no rights to use, access or operate the Xerox Tools are granted to Customer. Xerox Tools will be installed and operated only by Company or its authorized agents. If required for royalty reporting purposes, Company may disclose Customer's name and address to Xerox and/or the third-party licensor of certain Xerox Tools. Customer will not decompile or reverse engineer any Xerox Tools or allow others to do so. Customer will have access to reports generated by the Xerox Tools and stored in a provided database as set forth in the applicable SOW. Company may remove Xerox Tools at any time in Company's sole discretion, provided that the removal of Xerox Tools will not affect Company's obligations to perform Services, and Customer shall reasonably facilitate such removal. If Xerox Tools are included as part of the Services, they may be used by Customer only in conjunction with such Services.
- c. **LIMITED LICENSE TO ASSESSMENTS AND REPORTS.** Customer may duplicate and distribute assessments and/or reports prepared by Company pursuant to this Agreement only for Customer's internal business purposes. Any recommendations and processes described in assessments and/or reports may only be implemented by Company for Customer and, if implemented, used by Customer only for Customer's internal business purposes.
- d. **NO GRANTS TO CUSTOMER.** Customer agrees that, except as set forth expressly in this Agreement, no other rights or licenses are granted to Customer. Further, the rights granted to Customer in this Section shall immediately terminate if Customer defaults hereunder with respect to any of its obligations related to such grant.
14. **CONFIDENTIAL INFORMATION.** Information exchanged under this Agreement will be treated as confidential if it is identified as confidential at disclosure or if the circumstances of disclosure would indicate to a reasonable person that the information should be treated as confidential ("Confidential Information"). The terms and conditions of this Agreement are Confidential Information of Company and Customer, and each party agrees not to disclose any of the foregoing without the other party's prior written consent. Confidential Information will be protected using a reasonable degree of care to prevent unauthorized use or disclosure for two (2) years from the termination or expiration of this Agreement under which such Confidential Information was disclosed, whichever occurs later; provided, however, confidentiality with respect to trade secrets and Xerox Tools will not expire. These obligations of confidentiality will not apply to any Confidential Information that: (1) was in the public domain prior to, at the time of, or subsequent to the date of disclosure through no fault of the receiving party; (2) was rightfully in the receiving party's possession or the possession of any third party free of any obligation of confidentiality; (3) was developed by the receiving party's employees independently of and without reference to any of the other party's Confidential Information; or (4) where disclosure is required by law or a government agency. Upon expiration or termination of this Agreement, each party will return to the other or, if requested, destroy, all Confidential Information of the other in its possession or control, except such Confidential Information as may be reasonably necessary to exercise rights that survive termination of this Agreement.
15. **Warranty.** Customer acknowledges that the Products covered by this Agreement were selected by Customer based upon its own judgment. Company shall pass through any applicable manufacturer's warranty to Customer. COMPANY MAKES NO REPRESENTATIONS OR WARRANTIES, EXPRESS OR IMPLIED, ORAL OR WRITTEN, INCLUDING, WITHOUT LIMITATION, IMPLIED WARRANTIES OF NON-INFRINGEMENT; IMPLIED WARRANTIES OF MERCHANTABILITY; OR FITNESS FOR A PARTICULAR PURPOSE, ALL OF WHICH ARE SPECIFICALLY AND UNRESERVEDLY EXCLUDED.
16. **LIMITATION OF LIABILITY.** IN NO EVENT SHALL EITHER PARTY BE LIABLE FOR ANY INDIRECT, SPECIAL, INCIDENTAL, CONSEQUENTIAL DAMAGES, INCLUDING WITHOUT LIMITATION LOSS OF PROFITS, OR PUNITIVE DAMAGES WHETHER BASED IN CONTRACT, TORT, OR ANY OTHER LEGAL THEORY AND IRRESPECTIVE OF WHETHER EITHER PARTY HAS NOTICE OF THE POSSIBILITY OF SUCH DAMAGES. IN NO EVENT SHALL COMPANY BE LIABLE TO CUSTOMER FOR ANY DIRECT DAMAGES IN EXCESS OF THE FEES PAID FOR SERVICES UNDER THIS AGREEMENT BY CUSTOMER TO COMPANY DURING THE SIX-MONTH PERIOD IMMEDIATELY PRECEDING THE EVENT THAT GAVE RISE TO THE CLAIM.
17. **Default; Remedies.** Any of the following events or conditions shall constitute an Event of Default under this Agreement: (a) failure by Customer to make payment when due of any indebtedness to Company or for the Products, whether or not arising under this Agreement, without notice or demand by Company; (b) breach by Customer of any obligation herein; or (c) if Customer ceases doing business as a going concern. If Customer defaults, Company may: (1) require future Services, including Supplies, be paid for in advance, (2) require Customer to immediately pay the amount of the remaining unpaid balance of the Agreement, (3) terminate any and all agreements with Customer, and/or (4) pursue any other remedy permitted at law or in equity. In the Event of Default, remaining payment amounts due will be calculated using the average of the last six months' billing or the amount set forth on the face of the Agreement, whichever is greater, multiplied by the remaining months of the Agreement, to compensate for loss of bargain and not as a penalty. Customer agrees that any delay or failure of Company to enforce its rights under this Agreement does not prevent Company from enforcing any such right at a later time. All of Company's rights and remedies survive the termination of this Agreement. In the event of a dispute arising out of this Agreement or the Products listed herein, should it prevail, Company shall be entitled to collection of its reasonable costs and attorneys' fees incurred in defending or enforcing this Agreement, whether or not litigation is commenced.
18. **Assignment.** Customer may not sell, transfer, or assign this Agreement without the prior written consent of Company. Company may sell, assign or transfer this Agreement.
19. **Notices.** All notices required or permitted under this Agreement shall be by overnight courier such party at the address set forth in this Agreement, or at such other address as such party may designate in writing from time to time. Any notice shall be effective two (2) days after it has been sent via overnight courier.
20. **Indemnification.** Each party, if promptly notified by the other and given the right to control the defense, shall indemnify, defend and hold harmless the other party, its affiliates, and their respective officers, directors, employees, agents, successors and assigns, from and against all claims by a third party for losses, damages, costs or liability of any kind (including expenses and reasonable legal fees) that a court finally awards such party ("Claims") for bodily injury (including death) and damage to real or tangible property, to the extent proximately caused by the negligent acts or omissions, or willful misconduct of the indemnifying party (or its affiliates) in connection with this Agreement.
21. **Fax/Electronic Execution.** A faxed or electronically transmitted version of this Agreement may be considered the original and Customer will not have the right to challenge in court the authenticity or binding effect of any faxed or scanned copy or signature thereon. This Agreement may be signed in counterparts and all counterparts will be considered and constitute the same Agreement.
22. **Warranty to Execute.** Each party represents and warrants to the other, as an essential part of this Agreement, that: (i) it is duly organized and validly existing and in good standing under the laws of the state of its incorporation or formation; (ii) this Agreement has been duly authorized by all appropriate corporate action for signature; and (iii) the individual signing this Agreement is duly authorized to do so.
23. **Miscellaneous.** (a) Choice of Law. This Agreement shall be governed by the laws of the state of TX (without regard to conflict of laws principles); (b) Jury Trial. THE PARTIES EXPRESSLY WAIVE TRIAL BY JURY AS TO ALL ISSUES ARISING OUT OF OR RELATED TO THIS AGREEMENT; (c) Entire Agreement. This Agreement constitutes the entire agreement between the parties with regards to the subject matter herein and supersedes all prior agreements, proposals or negotiations, whether oral or written; (d) Enforceability. If any provision of this Agreement is unenforceable, illegal or invalid, the remaining provisions will remain in full force and effect; (e) Amendments. This Agreement may not be amended or modified except by a writing signed by the parties; provided Customer agrees that Company is authorized, without notice to Customer, to supply missing information or correct obvious errors provided that such change does not materially alter Customer's obligations; (f) Force Majeure. Company shall not be responsible for delays or inability to provide Products or Services caused directly or indirectly by strikes, accidents, climate conditions, parts availability, unsafe travel conditions, or other reasons beyond Company's control.

PRODUCT SCHEDULE (SCHEDULE A)

This Product Schedule/Schedule A is attached to and becomes part of the Agreement.

PRODUCTS								
QTY	MFG / MODEL	DESCRIPTION	ID#	SERIAL NUMBER	STARTING BLACK METER	STARTING COLOR METER	ADDRESS	METER POOLS
12	XR010126	XBS Professional Services Implementation					CITY OF WATAUGA 7105 WHITLEY RD WATAUGA, TX 76148	
7055	AMSPPlus-5	ACDI advanced software maintenance and support, 5 years Using 2025 Pricebook for Renewal Calculation Based on License Details: 14:PCMF-E-Xerox-10, 1:PCMF-AdvConn, 1:PCMF-KioskConn Projected Expiration Date: 05/31/2031					CITY OF WATAUGA 7105 WHITLEY RD WATAUGA, TX 76148	
3	497K22640	RFID Card Reader - PI (Alta 81xx + 82xx /VersaLinks 71xx + 72xx/Primelink B91xx)					CITY OF WATAUGA 7105 WHITLEY RD WATAUGA, TX 76148	
1	T4FK-FBFRLM7-PIUS	RFID TWN4 MultiTech 3 Front Reader IClass - PI (410+415+625 models)					CITY OF WATAUGA 7105 WHITLEY RD WATAUGA, TX 76148	
1	ATFR-01-RI	Front Reader Kit "Adhesive Pad" (410+415+625 models)					CITY OF WATAUGA 7105 WHITLEY RD WATAUGA, TX 76148	
1	497K22640	RFID Card Reader - PI (Alta 81xx + 82xx /VersaLinks 71xx + 72xx/Primelink B91xx)					CITY OF WATAUGA 7109 WHITLEY RD WATAUGA, TX 76148	
1	T4FK-FBFRLM7-PIUS	RFID TWN4 MultiTech 3 Front Reader IClass - PI (410+415+625 models)					CITY OF WATAUGA 7109 WHITLEY RD WATAUGA, TX 76148	
1	ATFR-01-RI	Front Reader Kit "Adhesive Pad" (410+415+625 models)					CITY OF WATAUGA 7109 WHITLEY RD WATAUGA, TX 76148	
2	497K22640	RFID Card Reader - PI (Alta 81xx + 82xx /VersaLinks 71xx + 72xx/Primelink B91xx)					CITY OF WATAUGA 7101 WHITLEY RD WATAUGA, TX 76148	
1	497K22640	RFID Card Reader - PI (Alta 81xx + 82xx /VersaLinks 71xx + 72xx/Primelink B91xx)					CITY OF WATAUGA 5909 HIGHTOWER DRIVE WATAUGA, TX 76148	
3	497K22640	RFID Card Reader - PI (Alta 81xx + 82xx /VersaLinks 71xx + 72xx/Primelink B91xx)					CITY OF WATAUGA 7800 VIRGIL ANTHONY BLVD WATAUGA, TX 76148	

1	497K22640	RFID Card Reader - PI (Alta 81xx + 82xx /VersaLinks 71xx + 72xx/Primelink B91xx)					CITY OF WATAUGA 7901 INDIAN SPRINGS RD WATAUGA, TX 76148	
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CUSTOMER ACCEPTANCE			
<i>By executing this agreement, I acknowledge that I have read and understand this agreement and I certify that I am authorized to execute this agreement on behalf of customer. Authorized signature acknowledges terms / conditions and expiration dates or meter readings. The terms and conditions on the face and reverse side of this agreement correctly set forth the entire agreement between parties.</i>			
AUTHORIZED CUSTOMER SIGNATURE:		TITLE:	
SIGNER'S NAME (PRINTED):		DATE:	
COMPANY SALES:		DATE:	

SOFTWARE SCOPE OF WORK (SOW)

This Software SOW is attached to and becomes part of the Agreement between the Company and the undersigned Customer.

SOW

This SOW is created based upon Xerox's understanding of the Customer's requirements. This SOW further defines the goals and deliverables for this professional services project. The goal of this project is to provide the Customer with professional services for print management.

Project Scope

Description of Services- Commencement of the work described below will be dependent on the availability of any software license keys and/or hardware (servers, multifunctional printers (MFPs), scanners, etc.) required for successful deployment of the project. Any tasks to be completed by the Customer, or dependent on Customer's resources and availability, cannot be estimated by Xerox.

Deliverables - This engagement will be comprised of the following activities and Deliverables as listed below.

Key Activities & Deliverables

Discover

Conduct discovery session covering topics which may include:

- System requirements review
- Deployment process

Design & Deployment

Develop a design summation based on the results of the Discover phase, which may include:

- Authentication methods
 - Secure print release configuration
- Setup and configuration will include the following:
- Embed the following number of devices to PaperCut - eleven (11)
 - Copy current PaperCut device settings/configurations to embeds
 - Test system for accuracy.
 - Promote system to production status.

Project Close

- Provide guidance for future support engagements.
- Review Customer satisfaction and obtain feedback.
- Obtain Customer signature on project acceptance form.

Delivery and Schedule - All services will be delivered offsite as remote services only. Please refer to the "Customer Responsibilities" section for requirements to support remote access and project delivery.

* All services will be provided during normal business hours (8am-5pm Monday-Friday in the Central time zone).

* Xerox will provide the delivery and coordination of the Consulting Services to assist the Customer throughout the Project.

* Xerox may assist the Customer with additional time and effort for support beyond those tasks identified in the Scope of Consulting Services section above, but those activities and their associated costs are not included in this Statement of Work.

* All Consulting Services shall be performed on mutually agreeable dates.

* Upon agreement by Client and Xerox of dates for delivery of Consulting Services, an email confirmation will be provided, and the Consulting Services shall be deemed scheduled.

Both Xerox and Customer shall use commercially reasonable efforts to attend all scheduled Consulting Services meetings. The repeated cancellation of Consulting Services meetings may result in Project delay and additional costs.

* Customer may reschedule or cancel previously scheduled Consulting Services registration without penalty up to five (5) business days prior to the scheduled start date. Consulting Services registration that are cancelled or rescheduled with less than five (5) business day notice will be charged one (1) full day fees.

* Customer acknowledges and agrees that once the Consulting Services has begun, Customer shall cooperate with Xerox for the duration of the Consulting Services schedule. In the event Customer delays work in the middle of the Project, Customer shall be responsible to Xerox for the days delayed and Xerox shall submit a Project Change Request to modify the completion date and additional costs for Project completion.

* Customer acknowledges and agrees to provide Xerox with prompt and adequate responses to its requests for information and other requests related to the Consulting Services to be performed under this SOW. In the event that Xerox has made a request and Customer has not responded promptly with the requested information, Xerox may issue a "Final 5-Day Project Notice" ("Final Notice") to Customer. If Customer does not respond as requested to the Final Notice, Customer agrees that Xerox shall be relieved of any further obligations which have not been completed under the SOW and Customer shall remain liable for payment of all Consulting Services fees as set forth herein. Any and all services requested by Customer following the expiration of the aforementioned five (5) day period will require Customer and Xerox to execute a new SOW and Customer shall be responsible for any additional Consulting Services fees contemplated there under, even if listed in the original SOW.

* All Professional services will be deemed as delivered and complete when all tasks of this SOW are executed.

Exclusions - Software integrations or interactions with any applications not specifically mentioned in the Design and Deployment section are not included.

Customer Responsibilities - Customer is responsible for the following actions, which are necessary to ensure Xerox's effective delivery of the services described in this SOW within a timely manner:

* Provide a single point-of-contact (typically the Project Sponsor or Project Manager) with signoff authority to work with Xerox and affirm project completion who is fluent in the English language

* Provide access to key Customer IT resources during the install: server administrator, network administrator, and database administrator

* Provide access to key Customer personnel with knowledge of the current environment and business processes

* Coordinate/facilitate communication between Xerox personnel and Customer personnel who support this effort

* Prior to project start (mandatory), provide the following:

* Installation and configuration of all servers, including hardware, operating system, enterprise database manager services, including patches and service packs at the agreed / supported level, along with network integration, backups, and disaster recovery / failover if required

* Provide any required network connections from the server location to the workstation installations

* Perform a backup of any current on-premise production environments (install directory, database tables) per Xerox instructions before test and production installs.

* Provide / enable remote access to all servers and Customer systems involved in this project, including administrative accounts (operating system and database)

* Provide VPN access to all servers defined in this SOW Support/participate in all installation activities, if possible. Xerox recommends that the system administrator "ride along" for the majority of the time spent on installation, upgrade, and configuration whenever possible.

* The Customer will not share any software code or confidential intellectual property belonging to the Customer or any other company with Xerox Corporation or its employees or contractors

* In order for Customer to manage the system after Go-Live, Customer will have at least one (1) trained admin. However, Xerox recommends that Customer have two (2) administrators trained for each of the proposed software platforms. Failure to maintain the software systems will result in poor performance and unreliable operation. Support requests associated with untrained operators or poor system maintenance will not be supported, and may result in service charges for repair or recovery. Customer is responsible for all travel related expenses for Personnel to attend and complete the training.

Project Assumptions and Risks - This proposal is based upon the following assumptions:

* The information provided to Xerox prior to the development of this SOW is accurate

* Xerox will have at least four weeks from date of acceptance, as evidenced by Customer authorized signature on this document, to plan, staff and begin the proposed project

* Any customizations of the software implemented through scripting or other API-based changes which need to be migrated forward must be addressed under the assumptions stated in the "In Scope" Section

The identified risks to the project schedule or costs are:

- * Availability of Customer staff to participate in the project
- * Availability and configuration of new production hardware
- * Availability of remote access

Project Change Request - During the engagement, if Xerox discovers information or requirements that would change the scope of the project, as defined in the agreed-to SOW, a Project Change Request ("PCR") will be introduced for approval. The PCR will identify revised tasks along with an adjusted price associated with the required change(s). The PCR will describe the change(s), the rationale for the change(s), and the effect the change(s) will have on the project timeline/budget/technology/quality. The Customer will review the proposed change(s) and will a) approve, b) reject, or c) approve for further investigation. If further investigation is required, Xerox may specify reasonable charges for such investigation. If the investigation is authorized, the designated Customer contact will sign the PCR, which will constitute approval for the investigation charges. The Customer will be responsible for any investigation charges, if applicable. The investigation will determine the impact the proposed PCR will have on price, schedule and other terms and conditions of the SOW. A PCR must be signed by both parties to authorize implementation of the investigated changes. Such price, schedule and other terms shall be reasonable and consistent with the Terms of this SOW, as applicable.

Delay or Abandonment - A successful project requires diligence and timely participation by both Parties. In the event that the Customer delays the engagement by not delivering against defined commitments, not scheduling or participating in required events, or otherwise extending the timeline of the engagement, Xerox reserves the right to adjust the delivery dates and the professional fee and re-invoice the Customer for any additional work and associated incurred costs that result from the delay. Further, if the Customer's team ceases to interact with Xerox for a period of more than four weeks, the project will be deemed to be concluded and final billing will be submitted.

Completion - The project will be complete when the effort estimated (hours) for the work plan presented above has been exhausted. Upon completion of the project, Xerox will submit an Acceptance Sign-Off document for signature by the authorized Customer representative. This document summarizes the deliverables outlined in the SOW and any relevant PCR(s). Signature by the Customer representative signifies completion of the project defined by that SOW and any relevant PCR(s). If the Customer does not return the signed Acceptance Sign-Off document to Xerox within five (5) business days of the Acceptance Sign-Off document submission, the Acceptance Sign-Off document is deemed accepted by Client and Xerox is entitled to proceed with final billing.

Software Maintenance and Support - All software being deployed or configured within this SOW must have an active support & maintenance agreement. Software support provides access to technical email and phone support for the Xerox-provided solution components. Support is limited to troubleshooting assistance to identify the root cause of the issue or corrective action where the root cause is determined to be within the Xerox delivered configurations. Customer provides standard Level 1 support for End Users. Xerox provides standard Level 2 Support. Only a Customer's designated software administrator may open a support ticket by sending an email to AppSupportSW@xerox.com. Support is available 8 am to 5 pm, Monday-Friday, Normal Working Hours, except local holidays.

Support often includes free access to software patches, updates, and version upgrades. See your software license agreement for specific details. Professional services to install, deploy, or configure any software updates, patches, or upgrades are not covered by software maintenance & support. Other changes to the infrastructure, established communications protocol, or data formats following release to the Customer, are also not covered.

SOW Validity - This SOW is valid for a period of thirty (30) days. If the SOW is not signed within the thirty-day time period, an updated SOW must be requested. An updated SOW may include a change in the deliverables, terms, and/or pricing. The SOW must be signed in order to proceed with work. Xerox is not bound by any SOW or scope document that is not signed by authorized representatives of both Parties. Upon receipt of a Customer signed SOW; Xerox has thirty (30) days in which to assign the SOW to a Software Engineer. The Software Engineer will engage the Customer and schedule a kick-off meeting. During the kick-off meeting an implementation timeline and project plan will be developed.

Key Considerations

- Customer-provided server or PC (that will not be turned off) must meet the minimum system requirements to support the project scope.
- Customer IT will be responsible for creating and/or migrating the print queues on the print server for all MFPs or Printers that will be included in this scope.
- MFPs or Printers included in this project must be online and have print drivers for each model installed on the server prior to scheduling embedding.
- If utilizing badge authentication for secure release, users will need to perform a one-time self-association of their badge at any embedded Xerox device.
- Customer IT will be responsible for pushing out the Find-Me virtual print driver to user workstations.
- If Customer requests to sync user information via Azure AD, Customer IT must complete Steps 1-4 as indicated in the following link: Synchronize user and group details with standard Azure AD. Additional guidance regarding Azure AD synchronization are available within the linked KB. Customer will be responsible for reviewing all relevant materials prior to implementation start.
- For macOS workstations only: macOS users will be required to download an additional PPD file for the Find-Me Print feature. This driver installation only needs to be completed up to the "Select a Printer" step. Once the "Installation" step completes, please close the install wizard. The PPD file can be downloaded using the following link: macOS Print Driver Installer.
- Fiery Enabled MFPs: For devices that have a Fiery installed, the Fiery and printer will need to be separated and each assigned their own IP address prior to embedding the device to the software.

CUSTOMER ACCEPTANCE

By executing this agreement, I acknowledge that I have read and understand this agreement and I certify that I am authorized to execute this agreement on behalf of customer. Authorized signature acknowledges terms / conditions and expiration dates or meter readings. The terms and conditions on the face and reverse side of this agreement correctly set forth the entire agreement between parties.

AUTHORIZED CUSTOMER SIGNATURE:

TITLE:

SIGNER'S NAME (PRINTED):

DATE:

COMPANY SALES:

DATE:



Copy Plus Rental Agreement

APPLICATION NO.

AGREEMENT NO.

Business Solutions

8200 IH 10 W, Suite 400 San Antonio, TX 78230 - (800) 413-3526

The words "User," "Lessee," "you" and "your" refer to **Customer**. The words "Owner," "Lessor," "we," "us" and "our" refer to **Xerox Business Solutions, LLC**

CUSTOMER INFORMATION

FULL LEGAL NAME City of Watauga			STREET ADDRESS 7105 Whitley Rd	
CITY Watauga	STATE TX	ZIP 76148	PHONE 8179081002	FAX
BILLING NAME (IF DIFFERENT FROM ABOVE) CITY OF WATAUGA			BILLING STREET ADDRESS 7105 WHITLEY RD	
CITY WATAUGA	STATE TX	ZIP 76148	E-MAIL braley@cityofwataugatx.org	
EQUIPMENT LOCATION (IF DIFFERENT FROM ABOVE) See attached Schedule A				

EQUIPMENT DESCRIPTION

MAKE/MODEL/ACCESSORIES	SERIAL NO.	STARTING METER

☒ See attached Schedule A

TERM & PAYMENT INFORMATION

60 months	Payments* of \$	\$323.09 Monthly	The payment ("Payment") period is monthly unless otherwise indicated.		*plus applicable taxes	
Payment includes	See attached Schedule A	B&W Pages per month	Overages billed at \$	See attached Schedule A	per B&W page*	
Payment includes	See attached Schedule A	Color Pages per month	Overages billed at \$	See attached Schedule A	per Color page*	
Payment includes	See attached Schedule A	B&W Prints per month	Overages billed at \$	See attached Schedule A	per B&W print*	
Payment includes	See attached Schedule A	Color Prints per month	Overages billed at \$	See attached Schedule A	per Color print*	

Upon acceptance of the Equipment, THIS AGREEMENT IS NONCANCELABLE, IRREVOCABLE AND CANNOT BE TERMINATED.

OWNER ACCEPTANCE

Xerox Business Solutions, LLC			
OWNER	SIGNATURE	PRINT NAME / TITLE	DATED

CUSTOMER ACCEPTANCE

BY SIGNING BELOW OR AUTHENTICATING AN ELECTRONIC RECORD HEREOF, YOU CERTIFY THAT YOU HAVE REVIEWED AND DO AGREE TO ALL TERMS AND CONDITIONS OF THIS AGREEMENT ON THIS PAGE AND ON PAGE 2 ATTACHED HERETO. You acknowledge and agree that the Equipment has been delivered to you and you hereby accept such Equipment on an "AS-IS, WHERE-IS" basis for all purposes as of the date hereof. Upon you signing below, your promises herein will be non-cancelable, irrevocable and unconditional in all respects.

City of Watauga		
CUSTOMER (as referenced above)	SIGNATURE	TITLE

FEDERAL TAX I.D. #	PRINT NAME	DATED
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TERMS AND CONDITIONS (Continued on Page 2)

1. **AGREEMENT:** You agree to rent from us the goods, together with all replacements, parts, repairs, additions, and accessions incorporated therein or attached thereto and any and all proceeds of the foregoing, including, without limitation, insurance recoveries ("Equipment") and, if applicable, finance certain intangible items such as software, software or subscription license(s), software components, prepaid cloud credits or professional services (collectively, the "Financed Items," which are included in the word "Equipment" unless separately stated) from licensor(s) and/or supplier(s) (collectively, the "Supplier"), all as described in this Agreement and in any attached schedule, addendum or amendment hereto ("Agreement"). You represent and warrant that you will use the Equipment for business purposes only and that the Equipment is new, unless otherwise noted. You agree to all of the terms and conditions contained in this Agreement, which, with the acceptance certification, is the entire agreement between you and us regarding the Equipment and which supersedes all prior agreements, including any purchase order, invoice, request for proposal, response or other related document. This Agreement becomes valid upon execution by us. In order to facilitate an orderly transition, the start date of this Agreement will be the date the Equipment is delivered to you or a date designated by us. If a later start date is designated, you agree to pay us a transitional payment equal to 1/30th of the Payment, multiplied by the number of days between the date the Equipment is delivered to you and the designated start date. If any provision of this Agreement is declared unenforceable, the other provisions herein shall remain in full force and effect to the fullest extent permitted by law.

2. **OWNERSHIP; PAYMENTS; TAXES AND FEES:** We own the Equipment, excluding any Financed Items. Ownership of any Financed Items shall remain with Supplier thereof. **You will pay all Payments, as adjusted, when due, without notice or demand and without abatement, set-off, counterclaim or deduction of any amount whatsoever.** If any part of a Payment is more than 5 days late, you agree to pay a late charge equal to: a) the higher of 10% of the Payment which is late or \$26.00, or b) if less, the maximum charge allowed by law. The Payment may be adjusted proportionately upward or downward: (i) if the shipping charges or taxes differ from the estimate given to you; and/or (ii) to comply with the tax laws of the state in which the Equipment is located. You agree to reimburse us for all applicable taxes, assessments and penalties related to this Agreement, whenever levied or assessed on this Agreement, on us or you, or on the Equipment, its rental, sale, ownership, possession, use or operation. If we are not going to file and pay, you will be notified in writing within 60 days after commencement and or billed directly to you by your taxing jurisdiction. If we pay any taxes or other expenses that are owed hereunder, you agree to reimburse us when we request and to pay us a processing fee for each expense we pay on your behalf and to pay us an annual tax processing fee up to \$50. You agree to pay us an origination fee of \$189.50 for all closing costs. We may apply all sums received from you to any amounts due and owed to us under the terms of this Agreement. If

for any reason your check is returned for insufficient funds, you will pay us a service charge of \$30 or, if less, the maximum charge allowed by law. We may make a profit on any fees, estimated tax payments and other charges paid under this Agreement.

3. EQUIPMENT; SECURITY INTEREST: At your expense, you shall keep the Equipment: (i) in good repair, condition and working order, in compliance with applicable laws, ordinances and manufacturers' and regulatory standards; (ii) free and clear of all liens and claims; and (iii) at your address shown on page 1, and you agree not to move Equipment unless we agree in writing. You grant us a security interest in the Equipment to secure all amounts you owe us under any agreement with us, except amounts secured by land and buildings in addition to the Equipment. You authorize and ratify our filing of any financing statement(s). You will not change your name, state of organization, headquarters or residence without providing prior written notice to us. You will notify us within 30 days if your state of organization revokes or terminates your existence.

4. INSURANCE; COLLATERAL PROTECTION; INDEMNITY; LOSS OR DAMAGE: You agree to keep the Equipment fully insured against all risk, with us named as lender's loss payee, in an amount not less than the full replacement value of the Equipment until this Agreement is terminated. You also agree to maintain liability insurance with such coverage and from such insurance carrier as shall be satisfactory to us and to include us as an additional insured on the policy. You will provide written notice to us within 10 days of any modification or cancellation of your insurance policy(s). You agree to provide us certificates or other evidence of insurance acceptable to us. If you do not provide us with acceptable evidence of property insurance within 30 days after the start of this Agreement, we may, at our sole discretion, do as provided in either (A) or (B) below: (A) We may secure property loss insurance on the Equipment from a carrier of our choosing in such forms and amounts as we deem reasonable to protect our interests. If we secure insurance on the Equipment, we will not name you as an insured party, your interests may not be fully protected, and you will reimburse us the premium which may be higher than the premium you would pay if you obtained insurance, and which may result in a profit to us through an investment in reinsurance. In addition, you agree to pay us our standard fees in connection with obtaining such insurance. If you are current in all of your obligations under the Agreement at the time of loss, any insurance proceeds received will be applied, at our option, to repair or replace the Equipment, or to pay us the remaining payments due or to become due under this Agreement, plus our booked residual, both discounted at 2% per annum. (B) We charge you a monthly property damage surcharge of up to .0035 of the Equipment cost as a result of our credit risk and administrative and other costs, as would be further described on a letter from us to you. We may make a profit on this program. **NOTHING IN THIS PARAGRAPH WILL RELIEVE YOU OF RESPONSIBILITY FOR LIABILITY INSURANCE ON THE EQUIPMENT.** We are not responsible for, and you agree to hold us harmless and reimburse us for and to defend on our behalf against, any claim for any loss, expense, liability or injury caused by or in any way related to delivery, installation, possession, ownership, renting, manufacture, use, condition, inspection, removal, return or storage of the Equipment. All indemnities will survive the expiration or termination of this Agreement. You are responsible for any loss, theft, destruction or damage to the Equipment ("Loss"), regardless of cause, whether or not insured. You agree to promptly notify us in writing of any Loss. If a Loss occurs and we have not otherwise agreed in writing, you will promptly pay to us the unpaid balance of this Agreement, including any future Payments to the end of the term plus the anticipated residual value of the Equipment, both discounted to present value at 2%. Any proceeds of insurance will be paid to us and credited against the Loss. You authorize us to sign on your behalf and appoint us as your attorney-in-fact to endorse in your name any insurance drafts or checks issued due to a Loss.

5. ASSIGNMENT: YOU SHALL NOT SELL, TRANSFER, ASSIGN, ENCUMBER, PLEDGE OR SUBLEASE THE EQUIPMENT OR THIS AGREEMENT, without our prior written consent, which will not be unreasonably withheld. You shall not consolidate or merge with or into any other entity, distribute, sell or dispose of all or any substantial portion of your assets other than in the ordinary course of business, without our prior written consent, which shall not be unreasonably withheld, and the surviving, or successor entity or the transferee of such assets, as the case may be, shall assume all of your obligations under this Agreement by a written instrument acceptable to us. No event shall occur which causes or results in a transfer of majority ownership of you while any obligations are outstanding hereunder. We may sell, assign, or transfer this Agreement without notice to or consent from you. You agree that if we sell, assign or transfer this Agreement, our assignee will have the same rights and benefits that we have now and will not have to perform any of our obligations. **You agree that our assignee will not be subject to any claims, defenses, or offsets that you may have against us.** This Agreement shall be binding on and inure to the benefit of the parties hereto and their respective successors and assigns.

6. DEFAULT AND REMEDIES: You will be in default if: (i) you do not pay any Payment or other sum due to us or you fail to perform in accordance with the covenants, terms and conditions of this Agreement or any other agreement with us or any of our affiliates; (ii) you make or have made any false statement or misrepresentation to us; (iii) you or any guarantor dies, dissolves, liquidates, terminates existence or is in bankruptcy; (iv) you or any guarantor suffers a material adverse change in its financial, business or operating condition; or (v) any guarantor defaults under any guaranty for this Agreement. If you are ever in default, at our option, we can cancel this Agreement and require that you pay the unpaid balance of this Agreement, including any future Payments to the end of term plus the anticipated residual value of the Equipment, both discounted to present value at 2%. We may recover default interest on any unpaid amount at the rate of 12% per year. Concurrently and cumulatively, we may also use any remedies available to us under the UCC and any other law and we may require that you immediately stop using any Financed Items. If we take possession of the Equipment, you agree to pay the costs of repossession, moving, storage, repair and sale. The net proceeds of the sale of any Equipment will be credited against what you owe us under this Agreement and you will be responsible for any deficiency. In the event of any dispute or enforcement of our rights under this Agreement or any related agreement, you agree to pay our reasonable attorneys' fees (including any incurred before or at trial, on appeal or in any other proceeding), actual court costs and any other collection costs, including any collection agency fee. **LIMITATION ON LIABILITY: IN NO EVENT SHALL WE BE LIABLE TO YOU FOR ANY INDIRECT, INCIDENTAL, EXEMPLARY, PUNITIVE, SPECIAL OR CONSEQUENTIAL DAMAGES, INCLUDING WITHOUT LIMITATION, DAMAGES FOR LOST PROFITS, REGARDLESS OF THE FORM OF ACTION, WHETHER IN CONTRACT, TORT (INCLUDING NEGLIGENCE) OR OTHERWISE, AND EVEN IF ADVISED OF THE POSSIBILITY OF SUCH DAMAGES. IN NO EVENT SHALL WE BE LIABLE TO YOU FOR ANY DIRECT DAMAGES IN EXCESS OF THE FEES PAID BY YOU UNDER THIS AGREEMENT IN THE SIX-MONTH PERIOD IMMEDIATELY PRECEDING THE EVENT THAT GIVES RISE TO THE CLAIM.** Any delay or failure to enforce our rights under this Agreement will not prevent us from enforcing any rights at a later time. **You agree that this Agreement shall be a "Finance Lease" as defined by Article 2A of the UCC and your rights and remedies are governed exclusively by this Agreement. You waive all rights under sections 2A-508 through 522 of the UCC, as may be amended.** If interest is charged or collected in excess of the maximum lawful rate, we will refund such excess to you, which will be your sole remedy.

7. INSPECTIONS AND REPORTS: We have the right, at any reasonable time, to inspect the Equipment and any documents relating to its installation, use, maintenance and repair. Within 30 days after our request, you will deliver all requested information which we deem reasonably necessary to determine your current financial condition and faithful performance of the terms hereof. Financial information will generally not be required unless your exposure with us exceeds \$1,000,000. Unless otherwise accepted by us, each financial statement shall be prepared in accordance with generally accepted accounting principles consistently applied and shall fairly and accurately present your financial condition and results of operations for the period to which it pertains. You authorize us to obtain credit bureau reports for credit and collection purposes and to share them with our affiliates and agents.

8. END OF TERM: At the end of the initial term, this Agreement shall renew for successive 12-month renewal term(s) under the same terms hereof unless you send us written notice between 90 and 150 days before the end of the initial term or at least 60 days before the end of any renewal term that you want to return the Equipment, and you timely return the Equipment. You shall continue making Payments and paying all other amounts due after the end of the initial term until the Equipment is returned in accordance with the terms of this Agreement. As long as you have given us the required written notice, you will return all of the Equipment to a location we specify, at your expense, in retail re-saleable condition, full working order and complete repair. If you so request, and we permit the early termination of this Agreement, you agree to pay a fee for such privilege. **YOU ARE SOLELY RESPONSIBLE FOR REMOVING ANY DATA THAT MAY RESIDE IN THE EQUIPMENT, INCLUDING BUT NOT LIMITED TO HARD DRIVES, DISK DRIVES OR ANY OTHER FORM OF MEMORY.** You cannot pay off this Agreement or return the Equipment prior to the end of the initial term without our consent. If we consent, we may charge you, in addition to other amounts owed, an early termination fee.

9. USA PATRIOT ACT NOTICE; ANTI-TERRORISM AND ANTI-CORRUPTION COMPLIANCE: To help the government fight the funding of terrorism and money laundering activities, federal law requires all financial institutions to obtain, verify, and record information that identifies each customer who opens an account. When you enter into a transaction with us, we ask for your business name, address and other information that will allow us to identify you. We may also ask to see other documents that substantiate your business identity. You and any other person who you control, own a controlling interest in, or who owns a controlling interest in or otherwise controls you in any manner ("Representatives") are and will remain in full compliance with all laws, regulations and government guidance concerning foreign asset control, trade sanctions, embargoes, and the prevention and detection of money laundering, bribery, corruption, and terrorism, and neither you nor any of your Representatives is or will be listed in any Sanctions-related list of designated persons maintained by the U.S. Department of Treasury's Office of Foreign Assets Control or successor or the U.S. Department of State. You shall, and shall cause any Representative to, provide such information and take such actions as are reasonably requested by us in order to assist us in maintaining compliance with anti-money laundering laws and regulations.

10. MISCELLANEOUS: Unless otherwise stated in an amendment, supplement or addendum hereto, the parties agree that: (i) this Agreement and any related documents hereto may be authenticated by electronic means; (ii) the "original" of this Agreement shall be the copy that bears your manual, facsimile, scanned or electronic signature and that also bears our manually signed signature and is held by us; and (iii) to the extent this Agreement constitutes chattel paper (as defined by the UCC), a security interest may only be created in the original. Notwithstanding the foregoing, (i) for evidentiary purposes, any faxed, scanned or electronic copy of this Agreement may be considered the original, and you waive the right to challenge in court the authenticity or binding effect of any such copy or signature thereon; and (ii) we reserve the right to require you to sign any instrument manually and to deliver to us an original of such document. You agree to execute any further documents that we may request to carry out the intents and purposes of this Agreement. All notices shall be mailed or delivered by electronic transmission or via overnight courier to the respective parties at the addresses shown on this Agreement or such other address as a party may provide in writing from time to time. By providing us with a telephone number for a cellular phone or other wireless device, including a number that you later convert to a cellular number, you are expressly consenting to receiving communications, including but not limited to prerecorded or artificial voice message calls, text messages, and calls made by an automatic telephone dialing system, from us and our affiliates and agents at that number. This express consent applies to each such telephone number that you provide to us now or in the future and permits such calls for non-marketing purposes. Calls and messages may incur access fees from your cellular provider. You authorize us to make non-material amendments (including completing and conforming the description of the Equipment) on any document in connection with this Agreement. **Unless stated otherwise herein, all other modifications to this Agreement must be in writing and signed by each party or in a duly authenticated electronic record.** This Agreement may not be modified by course of performance. You authorize us to insert or correct missing information on this Agreement, including but not limited to agreement numbers, serial numbers and other Equipment information.

11. WARRANTY DISCLAIMERS: WE ARE RENTING THE EQUIPMENT TO YOU "AS-IS." YOU HAVE SELECTED SUPPLIER(S) AND THE EQUIPMENT BASED UPON YOUR OWN JUDGMENT. IN THE EVENT WE ASSIGN THIS AGREEMENT, OUR ASSIGNEE DOES NOT TAKE RESPONSIBILITIES FOR THE INSTALLATION OR PERFORMANCE OF THE EQUIPMENT. **YOU WILL CONTINUE TO MAKE ALL PAYMENTS UNDER THIS AGREEMENT REGARDLESS OF ANY CLAIM OR COMPLAINT AGAINST ANY SUPPLIER, LICENSOR OR MANUFACTURER, AND ANY FAILURE OF A SERVICE PROVIDER TO PROVIDE SERVICES WILL NOT EXCUSE YOUR OBLIGATIONS TO US UNDER THIS AGREEMENT. YOU ARE NOT ENTITLED TO REDUCE OR SET-OFF AGAINST AMOUNTS DUE UNDER THIS AGREEMENT FOR ANY REASON, INCLUDING ALL INSTANCES WHERE THE TERM OF A FINANCED ITEM OR ASSOCIATED SERVICE MAY NOT BE COTERMINOUS WITH THE TERM OF THIS AGREEMENT. WE MAKE NO WARRANTIES, EXPRESS OR IMPLIED, OF, AND TAKE ABSOLUTELY NO RESPONSIBILITY FOR, MERCHANTABILITY, FITNESS FOR ANY PARTICULAR PURPOSE, CONDITION, QUALITY, ADEQUACY, TITLE, DATA ACCURACY, SYSTEM INTEGRATION, FUNCTION, DEFECTS, OR ANY OTHER ISSUE IN REGARD TO THE EQUIPMENT, ANY ASSOCIATED SOFTWARE AND ANY FINANCED ITEMS. SO LONG AS YOU ARE NOT IN DEFAULT UNDER THIS AGREEMENT, WE ASSIGN TO YOU ANY WARRANTIES GIVEN TO US.**

12. LAW; JURISDICTION/VENUE; JURY WAIVER: This Agreement will be governed by and construed in accordance with the law of the state of the principal place of business of Owner or, if assigned, the assignee's principal place of business. You consent to the jurisdiction and venue of any state or federal court in the state of the Owner or, if assigned, where its assignee has its principal place of business and waive the defense of inconvenient forum. For any action arising out of or relating to this Agreement or the Equipment, **BOTH PARTIES WAIVE ALL RIGHTS TO A TRIAL BY JURY.**

13. MAINTENANCE AND SUPPLIES: The charges established by this Agreement include payment for the use of the Equipment, accessories, maintenance by Supplier(s) during normal business hours, inspection, adjustment, parts replacement, drums, cleaning material required for proper operation and toner and developer. Paper and staples must be separately purchased by you. The per page/print charge and overages per page/print charge are based upon an 8 1/2" x 11" letter size page, print with an average 5% image fill, or its equivalent. If we determine that you have used 15% more consumable supplies than normal (as determined by the manufacturer's specifications) to produce pages/prints, you agree to pay us an amount from time to time which may be necessary to offset such increased usage. If necessary, the maintenance and supply portion of this Agreement may be assigned by us. We may charge you a monthly supply freight fee to cover our costs of shipping supplies to you. You agree to pay all amounts owing under this Agreement regardless of any claim you have against Supplier relating to the maintenance and supplies, which are being provided to you pursuant to a separate arrangement with Supplier ("Arrangement"). Supplier will be solely responsible for performing all services and providing all supplies under the Arrangement. Services may be delivered by Supplier's affiliates and/or subcontractors, at Supplier's sole discretion. You agree not to hold Owner (if different from Supplier) or any assignee of this Agreement responsible for Supplier's obligations under the Arrangement. As a convenience to you, we may provide you with one invoice covering amounts owing under this Agreement and the Arrangement. Each month, you are entitled to produce the minimum number of pages/prints shown on page 1 for each applicable page/print type. Regardless of the number of pages/prints made, you will never pay less than the minimum Payment. You agree to provide periodic meter readings on the Equipment. You agree to pay the applicable overage charge for each metered page/print that exceeds the applicable minimum number of pages/prints. Pages/prints made on equipment marked as not financed under this Agreement will be included in determining your page/print and overage charges. At the end of the first year of this Agreement, and once each successive 12-month period thereafter, the Payment and the overage charges may be increased by a maximum of 20% of the existing payment or charge and where a contract is subject to flat rate pricing, modify the Payment accordingly based on Customer's usage during the previous 12-month period.

14. METER; ELECTRIC SERVICES: Most equipment will be connected to a remote transmission tool which will report the number of images made on the Equipment each month and upon which monthly invoices will be based. If a remote transmission tool is not installed and otherwise upon request, you will provide us, by telephone, e-mail or fax with the actual meter readings three days prior to your due date. We may estimate the number of images used if such meter readings are not received from you by us within 2 days. The estimated charge for excess images shall be adjusted upon receipt of actual meter readings. If you are unable to maintain remote transmission, we reserve the right to charge you a per device fee for such affected Equipment due to the increased service visits that will be required in order for Supplier to: (x) obtain such information, (y) provide such transmissions and/or (z) provide such maintenance services and supplies that otherwise would have been provided remotely and/or proactively. If you elect to not install a remote transmission tool, a manual meter collection fee as outlined on the Supplier's currently published fee schedule shall apply. You agree to provide adequate space without charge for the Equipment, adequate electricity (including, if necessary, a dedicated 110 or 220 volt line), an electrical surge suppressor with a UL-1449 rating or better, and reasonable storage for supplies to be used with the equipment.



Schedule A

APPLICATION NO.

AGREEMENT NO.

Business Solutions

This Schedule "A" is to be attached to and becomes part of the above-referenced Agreement by and between the undersigned and **Xerox Business Solutions, LLC**.

EQUIPMENT DESCRIPTION

Quantity	Model and Description	Location	Serial Number	Starting Meter	Meter Pools
METER POOL INFORMATION					
Name	Allowance	Excess Rate			Excess Frequency

SOFTWARE / IT

Quantity	Description	Location
12	XBS Professional Services Implementation	CITY OF WATAUGA 7105 WHITLEY RD WATAUGA, TX 76148
7055	ACDI advanced software maintenance and support, 5 years Using 2025 Pricebook for Renewal Calculation Based on License Details: 14:PCMF-E-Xerox-10, 1:PCMF-AdvConn, 1:PCMF-KioskConn Projected Expiration Date: 05/31/2031	CITY OF WATAUGA 7105 WHITLEY RD WATAUGA, TX 76148
3	RFID Card Reader - PI (Alta 81xx + 82xx /VersaLinks 71xx + 72xx/Primelink B91xx)	CITY OF WATAUGA 7105 WHITLEY RD WATAUGA, TX 76148
1	RFID TWN4 MultiTech 3 Front Reader IClass - PI (410+415+625 models)	CITY OF WATAUGA 7105 WHITLEY RD WATAUGA, TX 76148
1	Front Reader Kit "Adhesive Pad" (410+415+625 models)	CITY OF WATAUGA 7105 WHITLEY RD WATAUGA, TX 76148
1	RFID Card Reader - PI (Alta 81xx + 82xx /VersaLinks 71xx + 72xx/Primelink B91xx)	CITY OF WATAUGA 7109 WHITLEY RD WATAUGA, TX 76148
1	RFID TWN4 MultiTech 3 Front Reader IClass - PI (410+415+625 models)	CITY OF WATAUGA 7109 WHITLEY RD WATAUGA, TX 76148
1	Front Reader Kit "Adhesive Pad" (410+415+625 models)	CITY OF WATAUGA 7109 WHITLEY RD WATAUGA, TX 76148
2	RFID Card Reader - PI (Alta 81xx + 82xx /VersaLinks 71xx + 72xx/Primelink B91xx)	CITY OF WATAUGA 7101 WHITLEY RD WATAUGA, TX 76148
1	RFID Card Reader - PI (Alta 81xx + 82xx /VersaLinks 71xx + 72xx/Primelink B91xx)	CITY OF WATAUGA 5909 HIGHTOWER DRIVE WATAUGA, TX 76148
3	RFID Card Reader - PI (Alta 81xx + 82xx /VersaLinks 71xx + 72xx/Primelink B91xx)	CITY OF WATAUGA 7800 VIRGIL ANTHONY BLVD WATAUGA, TX 76148
1	RFID Card Reader - PI (Alta 81xx + 82xx /VersaLinks 71xx + 72xx/Primelink B91xx)	CITY OF WATAUGA 7901 INDIAN SPRINGS RD WATAUGA, TX 76148

CUSTOMER ACCEPTANCE

This Schedule "A" is hereby verified as correct by the undersigned Customer, who acknowledges receipt of a copy.

City of Watauga

CUSTOMER (as referenced above)

SIGNATURE

/

PRINT NAME / TITLE

DATED



AGENDA MEMORANDUM

DATE: February 18, 2026

TO: Honorable City Council Members

FROM: Bradley Fraley, Chief Information Officer

THROUGH: Sandra Gibson, City Manager

SUBJECT: Consider action to authorize the City Manager to approve the SLA renewal of a commercial phone system agreement with Spectrum VoIP

BACKGROUND/INFORMATION:

In May 2021, the City of Watauga entered into a 60-month agreement with Spectrum VoIP to provide for a city-wide cloud-based unified phone system. Included in the original agreement was the option to renew the agreement terms for an additional 60-month period at the City's discretion. The current lease agreement costs the City \$1,883.25 per month + an additional \$160.29 per month for handsets and lines added after the initial agreement was executed.

The proposed renewal provided by Spectrum VoIP includes the replacement of handsets with new "like" devices and "white glove" install services. The renewal is proposed at a new all-inclusive monthly rate of \$1,976.05 per month for 60 months.

The system has met expectations and performed well. Renewing the agreement with Spectrum VoIP minimizes implementation and down-time since all existing programming will be preserved. This also minimizes the need for any additional user training. It is therefore recommended that the City renew the agreement with Spectrum VoIP for an additional 60-month term.

FINANCIAL IMPLICATIONS:

Budget appropriations are available to cover the monthly cost of \$1976.05

RECOMMENDATION/ACTION DESIRED:

Approve the SLA renewal of a commercial phone system agreement with SpectrumVoIP for a 60-month term.

ATTACHMENTS/ SUPPORTING DOCUMENTATION:

1. City of Watauga SLA renewal2 13 2026
2. [City of Watauga-] - Renewal



AGENDA MEMORANDUM

REVIEWED BY:

David Berman, City Attorney

Jennifer Calvert, Finance Director

Sandra Gibson, City Manager

Linda Proskey, City Secretary

Approved as to form for inclusion on Agenda

Approved - 2/20/2026

Approved - 2/24/2026

Approved - 2/25/2026

Final Approval - 2/25/2026

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CUSTOMER INFORMATION:

City of Watagua			
LEGAL BUSINESS NAME			
7105 Witley Rd	Watagua	TX	76148
ADDRESS	CITY	STATE	ZIP CODE
Bradley Fraley	817-514-5824	bfraley@wataugatx.org	
CONTACT NAME	BUSINESS PHONE NUMBER	EMAIL ADDRESS	
See addendum			
SERVICE ADDRESS		TAX ID	

PROVIDER INFORMATION:
SCHEDULE OF PAYMENTS:

SpectrumVoIP, Inc.	067DX	(972) 312-0388	BASE MONTHLY PAYMENT \$ 1976.05 FOR 60 MONTHS
PROVIDER NAME	CODE	PHONE NUMBER	
PO Box 250588	Plano	TX 75024	(PLUS TAXES)
ADDRESS	CITY	STATE ZIP CODE	

DESCRIPTION:

VoIP Seat Licenses

TERMS AND CONDITIONS

Terms and Conditions: In this agreement, the words "Provider", "I", "me", "my", "mine", "us", "we", "our" and "ours" mean SpectrumVoIP, Inc. and any assignee of any part or all of our interest in this Contract. The words "Customer", "you", "your" and "yours" mean the customer recited above and any personal guarantor recited below. A "seat" means a unique user license on our VoIP (Voice over Internet Protocol) platform.

License Agreement and Terms of Service: You agree and acknowledge that you are responsible for terminating any and all current obligations with existing providers prior to, or in conjunction with, entering into this SpectrumVoIP Commercial Seat License Agreement. This Commercial Seat License Agreement and the SpectrumVoIP, Inc. Terms of Service (found at <https://www.spectrumvoip.com/privacy-terms/#tos>) which Terms of Service are incorporated herein by reference as if stated in their entirety as terms of this Commercial Seat License Agreement.

Modification: You agree and acknowledge that this Commercial Seat License Agreement and Terms of Service incorporated herein (collectively, the "Contract") contains the entire agreement between the parties regarding seat licenses and may not be amended, modified or changed except in writing by one of our executive officers.

Payment Terms: As consideration for our making such payment, you agree to pay us by making the Payments as described above. You grant us a first priority security interest in, and assign, to us all assets and rights you have now or in the future under the Contract, as collateral for your obligations to us. You may not prepay any amount due hereunder unless previously agreed to by us in writing.

Default: You agree that if you fail to make any payment due under this Contract or breach any of the terms of any other agreement with us or in any contract important to your business or financial condition, file or have brought against you any action in Bankruptcy or reorganization, suffer a material adverse change in your business or financial condition or if we reasonably deem ourselves insecure, you will be in default of this Contract. In the event of default, we may exercise all rights and remedies available at law, including, without limitation, acceleration of the remaining balance due under this Contract or any other agreement between you and us.

Late Payments & Fees: Any payment which is 15 days past due or more may have seat licenses suspended as determined in our sole and absolute discretion. To have your seat licenses reactivated you must tender all delinquent payments then due in addition to any additional charges due as required by the terms of this Contract. Any payment not received by the due date shall be considered late. If you pay late you agree to pay us a late charge equal to (i) the greater of 15% of the past due payment amount or \$25.00 or (ii) the highest lawful charge, whichever is less (which you agree is a reasonable estimate of the costs we incur relating to late payments and is not a penalty).

Acceptance of Commercial Seat License Agreement and Terms of Service: This is a binding contract. It cannot be canceled. Read it carefully before signing. If any of the terms, requirements and/or obligations imposed by this Contract are not fully understood, you should seek legal advice prior to executing.

Terms of Use: You hereby agree and acknowledge that the transaction contemplated by this Contract is solely for business and/or commercial purposes and none of the seat licenses contemplated to be provided herein by us will be for personal, family or household purposes.

Credit Reporting: You agree and acknowledge that we may report your performance of the terms of this Contract to any national credit bureau and unconditionally authorize us to request and/or access business and consumer credit bureau reports for credit and collection purposes.

Choice of Law: You agree to perform additional acts we may request to protect our interests arising under the terms of this Contract. You unconditionally agree and acknowledge that this Contract shall be governed by the laws of Texas without regard to principles or conflict of laws. You agree that any legal action you may commence related, in any way, to the subject matter of this Contract may only be brought in the state or federal court located in Collin County, Texas. You further agree and acknowledge that we, or any assignee of our interest in this Contract, may file any legal action related, in any way, to this Contract in any jurisdiction where you have an office or place of business, where the seat licenses are being used, or within the state or federal court located in the county where any assignee of our interest has its principal place of business. You hereby knowingly and intentionally waive any and all objection(s) to forum or venue and agree to accept service of process at your billing address as recited above. You further hereby knowingly and intentionally waive, insofar as permitted by applicable law, any right to trial by jury of any and all claims and/or disputes related to this Contract.

Assignment: You understand and agree that following your execution of this agreement we may assign our rights under this agreement to a third party financing company (an, "assignee"), who will take assignment of all of our rights but none of our obligations, which remain with us. You agree that upon the written instruction of an assignee, payments are to be made to the applicable assignee and that you shall comply with such instructions, provided that you shall only look to us for any obligation hereunder. You agree that you shall have no right of set-off, for any reason, with respect to amounts payable hereunder to assignee or any subsequent assignees. An assignee and its subsequent assignees (if any) will have no obligations to you, and you shall not assert against assignee or its subsequent assignees any claim, offset or defense assertable against us or anyone else and shall timely pay assignee or its subsequent assignees as and when due.

Commencement and Manner of Execution: This Contract may be executed, communicated and retained electronically pursuant to the Electronic Signatures in Global and National Commerce Act. A facsimile or other electronic version of this Contract shall be admissible to the same extent as an original in any proceeding in which it must be produced. Any officer/owner/partner executing this document hereby affirms that all your shareholders/owners/partners have been identified to us in writing and authorization to undertake the transaction(s) contemplated herein has been duly approved or given.

AUTHORIZED SIGNATURE

PRINTED NAME AND TITLE

DATE

SPECTRUMVOIP, INC AUTHORIZED SIGNATURE

PRINTED NAME AND TITLE

DATE

Jeff Wetter - VP, Credit & Funding Operations

Personal Guaranty: You, the undersigned in your personal and individual capacity, hereby absolutely, unconditionally and irrevocably guarantee, as primary obligor and not merely as surety, the full and punctual payment and performance of any and all present and future obligations, liabilities, covenants and agreements required to be observed and performed or paid or reimbursed by Customer under or relating, in any way, to the preceding Contract, plus all costs, expenses and fees (including all reasonable fees and expenses of Provider's counsel incurred in enforcement or defense of the terms of the Contract) in any way incurred as a result of or relating to the enforcement or protection of Provider's rights hereunder. Provider shall not be required to proceed against the Customer or to enforce any other remedy before proceeding against the undersigned for recovery of any amounts subject to this unconditional guaranty. The Undersigned waives notice of the acceptance hereof and of all other notices or demands of any kind to which the undersigned may otherwise be entitled. This is a continuing Guaranty. The undersigned specifically understands and agrees to the choice of law and venue clauses contained within the Contract. The Undersigned hereby authorizes Provider, Provider's agents, and affiliates to check your credit and employment history. We are further authorized to provide history information to others about your credit experience with us, including but not limited to, credit bureaus.

GUARANTOR #1

DATE



Tech Essentials for the Modern Business.

Discover the SpectrumVoIP Difference

Our Distinctive Offering

SpectrumVoIP provides a seamless suite of communication tools, including VoIP, business texting, managed IT, and reliable internet. What sets us apart is our commitment to real support—no chatbots or offshore call centers. Our 24/7 US-based team, located in Plano, Texas, ensures you always have expert help when you need it. With innovative technology, reliability, and hands-on service, we're more than a provider—we're a partner in your success.

Leading Business Features

Empower your business with advanced features designed for productivity and efficiency. Our offerings include auto attendants, call recording, mass texting, and dependable internet, all supported by robust physical and network security. With integration capabilities and mobility-focused features, SpectrumVoIP keeps your team connected wherever business takes them.

Simplified Platform & Tech

We've crafted intuitive tools that streamline your operations while maintaining exceptional functionality. From effortless onboarding to automatic updates, our technology is designed to minimize disruptions and maximize efficiency. Backed by 24/7 support, SpectrumVoIP ensures that businesses can rely on accessible and user-friendly communication and IT services.

Our Commitment to Data Security

At SpectrumVoIP, reliability and security are paramount. Our redundant, mirrored data centers are strategically located throughout the U.S., providing an impressive 99.999% uptime for crystal-clear communication. With compliance standards such as HIPAA and PCI-DSS, we deliver unmatched protection for your business information, ensuring peace of mind for every customer.

About SpectrumVoIP

Based in Plano, TX, SpectrumVoIP has been at the forefront of providing hosted voice over IP services since 2007. With a proud roster of over 200,000 users, we are committed to delivering state-of-the-art business services with simplicity, transparency, and a human-first approach to customer service.

At SpectrumVoIP, we take pride in delivering cutting-edge technology and exceptional customer care to businesses of all sizes. With a focus on seamless integration and user-friendly solutions, our services are designed to keep your business connected, secure, and productive.

Unlimited Support



Dedicated Project Manager



On-Demand Help Documentation



Unlimited Virtual Training



Licensed Installation Professionals



24/7 Technical Support



Exclusive Client Relationship Team



Our Products



StratusPHONE & StratusMOBILE

- Seamless communication, anytime and anywhere
- All-inclusive plan including all phone and call center features
- Unlimited calling to the United States, Canada, and Mexico

StratusTEXTING



- Simple, easy-to-use platform
- One-to-one, mass, and automated texting
- Compliance with industry regulations
- Integrates into other systems via Zapier or API

StratusINTERNET



- Reliable connectivity that can grow with the business
- Dedicated support for uninterrupted service
- Optimized for VoIP and other business-critical applications

StratusSECURE



- High-quality cameras coupled with a user-friendly, robust interface
- AI filters footage based on suspicious behavior
- People counting, heat maps, facial, car, and license plate recognition

StratusGUARD



- Powered by Fortinet
- High voice QoS with bandwidth prioritization
- Harden business networks against malware
- Govern websites accessible on the network

White Glove Onboarding



ACCOUNT
SETUP

MEET YOUR PM

SCHEDULING

INSTALLATION

PORTING

ACCOUNT
COMPLETION

Join the SpectrumVoIP Family

THE
LEGAL AID
SOCIETY

N | NAVARRO
COLLEGE

NEXGRILL

COLLIN STREET BAKERY
& Cafe

TORCHYS

SAGORA
SENIOR LIVING

PENFED
CREDIT UNION

WASTE CONNECTIONS
Connect with the Future



[City of Watauga-] - Renewal

Reference: 20260213-114345466

Quote expires: March 15, 2026

City of Watauga

(817) 514-5824

Watauga, TX

Products & Services

Item & Description	Term	Quantity	List Price	Net Price	Total
VoIP DID Service Package	60	1	\$20.00	\$20.00	\$20.00
VoIP Seat - Yealink T54W	60	112	\$15.60	\$15.60	\$1,747.20
StratusFax - Unlimited per Phone Number	60	14	\$8.95	\$8.95	\$125.30
VoIP Seat - Existing Paging System Connection	60	1	\$9.95	\$9.95	\$9.95
VoIP Seat - Yealink CP965 Conference Phone	60	6	\$15.60	\$15.60	\$93.60
Monthly subtotal				\$1,996.05	
Total				\$1,996.05	

Comments from Stephannie Sedgwick

Here's what comes with our service:

- **No upfront costs, new service and new phones are included**
- **We can buy out existing contracts whenever we can**
- **You will keep all of your same phone numbers**
- **No extra fees – all features, support, and unlimited training are included**
- **24/7 US-based support**
- **Free Installation**

Here's what comes with our service:

- **No upfront costs, new service and new phones are included**
- **We can buy out existing contracts whenever we can**
- **You will keep all of your same phone numbers**
- **No extra fees – all features, support, and unlimited training are included**
- **24/7 US-based support**
- **Free Installation**

n

ETF & PHONE PROVIDER

SpectrumVoIP

Current Phone Provider _____

SpectrumVoIP will pay customer up to \$ 0 for early termination fees.

OPTIONAL

Customer agrees to opt in to receive SMS messages from SpectrumVoIP Inc.

Standard message and data rates apply. Data rates may vary. Reply with STOP to unsubscribe.

SMS / MMS features will incur campaign and usage fees.

Toll-free numbers are billed per minute at \$0.029 per minute and have a 100-minute minimum per month of \$2.90.

NOT A CONTRACT — BUT AN INDICATION OF INTEREST

SpectrumVoIP is unaffiliated with Charter / Time Warner / Spectrum Business.

Additional Service fees may include applicable state and federal taxes, and telecommunications taxes, surcharges, and fees.

(e911 \$3.90 per location, Federal Universal Fund Fee \$5.04, Carrier Cost and Recovery Fee \$3.50)

View our Terms of Service at <https://spectrumvoip.com/privacy-terms/>

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Printed Name: Bradley Fraley

Email: bfraley@cowtx.org

Phone Number: (817) 514-5824

Federal Tax ID:

Name Listed with Sec of State:

City of Watauga

Signature

Signature

Date

Printed name

Questions? Contact me



Stephannie Sedgwick
Advisor
ssedgwick@spectrumvoip.com
(469) 713-2999



AGENDA MEMORANDUM

DATE: February 19, 2026
TO: Honorable City Council Members
FROM: Linda Proskey, City Secretary
THROUGH: Linda Proskey, City Secretary
SUBJECT: Consider action on approval of an ordinance canceling the May 2, 2026, General Election

BACKGROUND/INFORMATION:

A General Election was called by ordinance on January 5, 2026, for Council Places 1, 2, 6, and 7. After the filing deadline passed on February 13, 2026, at 5:00 p.m., the candidates were unopposed. This ordinance is to cancel the general election only. The deadline for filing for the Special Election has not passed.

FINANCIAL IMPLICATIONS:

RECOMMENDATION/ACTION DESIRED:

Respectfully recommend the Council review and take action on the item presented.

ATTACHMENTS/ SUPPORTING DOCUMENTATION:

1. May 2_Certification of Unopposed Candidates Exhibit A_MLG
2. Watauga Ordinance Cancelling May 2026 General Election 002

REVIEWED BY:

David Berman, City Attorney
Sandra Gibson, City Manager
Linda Proskey, City Secretary

Approved - 2/23/2026
Approved - 2/25/2026
Final Approval - 2/25/2026

Approved as to form for inclusion on Agenda

13-1 Prescribed by Secretary of State
Section 2.051 – 2.053, Texas Election Code
9/2023

**CERTIFICATION FOR UNOPPOSED CANDIDATES FOR OTHER POLITICAL SUBDIVISIONS
(NOT COUNTY)
CERTIFICACIÓN DE CANDIDATOS SIN Oponentes PARA OTRAS SUBDIVISIONES POLÍTICAS
(NO CONDADO)
GIẤY CHỨNG NHẬN KHÔNG CÓ ĐỐI THỦ TRANH CỬ ĐỐI VỚI CÁC PHÂN KHU CHÍNH TRỊ KHÁC
(KHÔNG PHẢI QUẬN HẠT)**

To: Presiding Officer of Governing Body
Para: Funcionario que preside del Órgano de Gobierno
Kính gửi: Viên chức chủ trì của Cơ quan quản lý

As the authority responsible for having the official ballot prepared, I hereby certify that the following candidates are unopposed for election to office for the election scheduled to be held on May 2, 2026.
Como autoridad responsable de la preparación de la boleta oficial de votación, certifico por la presente que los siguientes candidatos no tienen oponentes para ser electos a los cargos en la elección programada para el 2 de mayo de 2026.

Với tư cách là người có thẩm quyền chịu trách nhiệm chuẩn bị lá phiếu, theo đây tôi chứng nhận các ứng cử viên sau đây không có đối thủ tranh cử trong cuộc bầu cử dự kiến diễn ra vào ngày 2 Tháng Năm, 2026.

List offices and names of candidates:
Lista de cargos y nombres de los candidatos:
Danh sách các chức vụ và tên ứng cử viên:

Office(s)/Cargo(s)/(Các) chức vụ tranh cử
Council Member, Place 1
Council Member, Place 2
Council Member, Place 6
Council Member, Place 7

Candidate(s)/Candidato/a(s)/(Các) ứng cử viên
Patrick Shelbourne
Cris Blackburn
Mark Taylor
Jan Hill

/s/ Linda Proskey

Signature/Firma/Chữ Ký

Linda Proskey

Printed name/Nombre en letra de imprenta/Tên Viết Bằng Chữ In

(Seal)/(Sello)/(Con Dấu)

City Secretary

Title/Título/Chức Danh

02/17/2026

Date of signing/Fecha de la firma/Ngày ký



See reverse side for instructions
Véanse instrucciones en el reverso
Xem mặt sau để biết hướng dẫn

**CITY OF WATAUGA, TEXAS
ORDINANCE NO. 2026-**

AN ORDINANCE BY THE CITY COUNCIL OF THE CITY OF WATAUGA, TEXAS, DECLARING UNOPPOSED CANDIDATES FOR COUNCIL MEMBER PLACE 1, COUNCIL MEMBER PLACE 2 COUNCIL MEMBER PLACE 6, AND COUNCIL MEMBER PLACE 7 ELECTED TO OFFICE; CANCELING THE MAY 2, 2026, GENERAL ELECTION; REQUIRING ISSUANCE OF A CERTIFICATE OF ELECTION TO THE UNOPPOSED CANDIDATES; AND PROVIDING AN EFFECTIVE DATE.

WHEREAS, a general election was called for May 2, 2026, to elect Council Member Place 1, Council Member Place 2, Council Member Place 6, and Council Member Place 7, and

WHEREAS no proposition or opposed at-large race appears on the ballot, and the City Secretary has certified that there is only one candidate Council Member Place 1, Council Member Place 2, Council Member Place 6, and Council Member Place 7, and, therefore, the candidates are unopposed, and

WHEREAS no candidate's name has been placed on a list of write-in candidates for any office under applicable law; and

WHEREAS the City Secretary has delivered a Certification of Unopposed Candidates (Exhibit "A" attached) to the City Council,

NOW, THEREFORE, BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF WATAUGA, TEXAS, THAT:

I

The City Council finds that the above-stated premises are true and correct.

II

The unopposed candidates for Council Member Place 1, Council Member Place 2, Council Member Place 6, and Council Member Place 7, listed below, are hereby declared elected to office, to wit:

Council Member Place 1 – Patrick Shelbourne
Council Member Place 2 – Cris Blackburn
Council Member Place 6 – Mark Taylor
Council Member Place 7 – Jan Hill

III

The City Secretary is directed to issue a Certificate of Election to the above-named members of the City Council in the manner and at the same time as provided for a candidate elected to office at the election. Each person declared elected herein must qualify for the office in the same manner as provided for a candidate elected at the election. The City Secretary is hereby directed to post a copy of this Ordinance on election day at each polling place that would have been used in the election cancelled herein.

IV

The General Election for the City of Watauga on May 2, 2026, is canceled. The Special Election to fill the vacancy in Place 5 for the remainder of the unexpired term of office is not affected by the cancellation of the General Election provided for herein.

V

This Ordinance shall become effective and be in full force and effect from and after the date of passage and adoption by the City Council and upon approval thereof by the Mayor of the City of Watauga, Texas and publication hereof as prescribed by law.

PASSED AND ADOPTED by the City Council of the City of Watauga, Texas, the ____ day of _____ 2026.

APPROVED:

ARTHUR L. MINER, MAYOR

ATTEST:

LINDA PROSKEY, CITY SECRETARY

APPROVED AS TO FORM AND LEGALITY:

DAVID M. BERMAN, CITY ATTORNEY



AGENDA MEMORANDUM

DATE: February 25, 2026

TO: Honorable City Council Members

FROM: Linda Proskey, City Secretary

THROUGH: Linda Proskey, City Secretary

SUBJECT: Consider action on the approval of the renewal of the massage permits for Magic Massage, Niu Niu Foot Spa, RR Massage, A+ Massage

BACKGROUND/INFORMATION:

Each year it is necessary for a massage establishment to renew their license at the fee of \$125.00 per year. A+ Massage, RR Massage, Niu Niu Foot Spa, and Magic Massage have filed for renewal and paid the fee.

FINANCIAL IMPLICATIONS:

RECOMMENDATION/ACTION DESIRED:

Respectfully recommend the Council review and take action on the item presented.

ATTACHMENTS/ SUPPORTING DOCUMENTATION:

1. Magic Massage
2. Niu Niu Foot Spa
3. RR Massage
4. A+ Massage

REVIEWED BY:

Sandra Gibson, City Manager

Linda Proskey, City Secretary

Approved as to form for inclusion on Agenda

Approved - 2/25/2026

Final Approval - 2/25/2026



AGENDA MEMORANDUM

DATE: February 3, 2026
TO: Honorable City Council Members
FROM: Linda Proskey, City Secretary
THROUGH: Linda Proskey, City Secretary
SUBJECT: Consider action on approval of the January 12, 2026 Workshop minutes

BACKGROUND/INFORMATION:

City Council Workshop minutes for January 12, 2026 - **Comprehensive Safety Action Plan**

FINANCIAL IMPLICATIONS:

None

RECOMMENDATION/ACTION DESIRED:

Respectfully recommend the Council review and take action on the item presented.

ATTACHMENTS/ SUPPORTING DOCUMENTATION:

1. January 12, 2026 Workshop

REVIEWED BY:

Sandra Gibson, City Manager
Linda Proskey, City Secretary

Approved - 2/25/2026
Final Approval - 2/25/2026

Approved as to form for inclusion on Agenda



**MINUTES
WATAUGA CITY COUNCIL
WORKSHOP MEETING
CITY HALL COUNCIL CHAMBER,
7105 WHITLEY ROAD,
MONDAY, JANUARY 12, 2026
5:30 PM**

CALL TO ORDER

Mayor Arthur Miner called the meeting to order at 5:30 p.m.

ROLL CALL

The meeting was convened with the following members present:

Arthur L. Miner
Cris Blackburn
Pat Shelbourne
Lovie Downey
Andrew Neal
Vacant
Mark Taylor
Jan Hill

Mayor
Mayor Pro Tem Place 2
Council Member Place 1
Council Member Place 3
Council Member Place 4
Council Member Place 5
Council Member Place 6
Council Member Place 7

and

Sandra Gibson
Linda Proskey
Paul Hackleman
Randy Richards
Randy Barley
Timothy Hamilton
Kevin Mead

City Manager
City Secretary
Director of Public Works
Assistant Director of Public Works
Fire Chief
Director of Parks and Community Services
Assistant Police Chief

PUBLIC COMMENT

There was no request for public comment

PUBLIC TESTIMONY FOR ACTION ITEMS

There was no request for public testimony

ACTION ITEMS

1. City participation for Comprehensive Safety Action Plan

Paul Hackleman presented the item and introduced Robert Paquin Project Manager for the comprehensive safety action plan. Burgess and Niple has been developing a comprehensive Safety Action Plan for the City of Watauga for several months, with Robert Paquin serving as project manager. Mr. Paquin presented an overview of the plan, which is funded through the Federal Highway Administration's Safe Streets for All (SS4A) grant program. Watauga was awarded the grant in 2023, signed the agreement in November 2024, and received notice to proceed in October/November 2025 for a 24-month period.

The project is currently in the safety analysis phase, with a draft report expected in mid-August and final plan adoption targeted for late September or October. The plan is intended to be an actionable document focused on reducing traffic fatalities and serious injuries. Analysis is based on crash data, TxDOT roadway inventory, and ADA transition plan data. Of 970 crashes identified between 2019 and 2024, 40% occurred on US 377 and were excluded from the primary analysis, leaving 583 crashes for review. These included four fatalities and 26 serious injuries, with an average of five severe crashes per year. While total crashes show a slight upward trend, severe crashes are trending slightly downward.

Crash analysis uses both proactive and reactive approaches, including systemic risk analysis, a high injury network, and a separate corridor analysis for US 377. Most crashes were intersection-related and speed-related, which emerged as the top emphasis areas, along with lane departure and distracted driving. Council discussion focused heavily on speeding, aggressive driving, intersection safety, and concerns along US 377, particularly a 2.8-mile segment accounting for a high concentration of crashes. Red light camera impacts and enforcement limitations were also discussed.

The Safe System Approach was presented as the guiding framework, emphasizing shared responsibility, safer speeds, safer roads, and designing systems that account for human error. Watauga safety statistics showed extended periods with zero fatalities and serious injuries, reinforcing that a zero-fatality goal is achievable. A long-term goal of zero fatalities and serious injuries by 2055 was discussed, with interim reduction targets.

Next steps include finalizing a vision statement, launching a short community engagement survey and interactive comment map, completing safety analyses, and conducting outreach through Watauga Fest.

ITEMS FOR FUTURE AGENDAS

There were no items for future agendas

ADJOURNMENT

Mayor Miner adjourned the meeting at 6:26 p.m.

Approved: this _____ day of _____, 2026

Signed: this _____ day of _____, 2026

APPROVED:

ATTEST:

Arthur L. Miner, Mayor

Linda Proskey, City Secretary



AGENDA MEMORANDUM

DATE: February 26, 2026
TO: Honorable City Council Members
FROM: Linda Proskey, City Secretary
THROUGH: Linda Proskey, City Secretary
SUBJECT: Consider action on approval of the January 12, 2026 City Council Regular meeting minutes

BACKGROUND/INFORMATION:

Meeting minutes for the January 12, 2026 Regular City Council meeting — **Quail Meadow Storm Drain Engineering Design**

FINANCIAL IMPLICATIONS:

None

RECOMMENDATION/ACTION DESIRED:

Respectfully recommend the Council review and take action on the item presented.

ATTACHMENTS/ SUPPORTING DOCUMENTATION:

1. January 12, 2026 Reg. Meeting Minutes - Draft

REVIEWED BY:

Sandra Gibson, City Manager

Linda Proskey, City Secretary

Approved as to form for inclusion on Agenda

Approved - 2/26/2026

Final Approval - 2/27/2026



**MINUTES
WATAUGA CITY COUNCIL
REGULAR MEETING
CITY HALL COUNCIL CHAMBER,
7105 WHITLEY ROAD,
MONDAY, JANUARY 12, 2026
12:00 PM**

CALL TO ORDER

Mayor Arthur Miner called the meeting to order at 6:40 p.m.

ROLL CALL

The meeting was convened with the following members present:

Arthur L. Miner
Cris Blackburn
Pat Shelbourne
Lovie Downey
Andrew Neal
Vacant
Mark Taylor
Jan Hill

Mayor
Mayor Pro Tem Place 2
Council Member Place 1
Council Member Place 3
Council Member Place 4
Council Member Place 5
Council Member Place 6
Council Member Place 7

and

Sandra Gibson
Linda Proskey
Randy Barkley
Paul Hackelman
Kevin Mead
Jennifer Calvert
Timothy Hamilton
Julie Rodriguez
Lana Ewell

City Manager
City Secretary
Asst. City Manager/Fire Chief
Asst. City Manager/Public Works Director
Asst. Police Chief
Finance Director
Parks Director
Human Resources/Civil Service Director
Library Director

INVOCATION

Associate Pastor Mark Lofton of Northside Nazarene Church gave the invocation

PLEDGE OF ALLEGIANCE United States and Texas Flags

Mayor Miner led the Pledge of Allegiance

ANNOUNCEMENTS

Councilmember Blackburn encouraged citizens to take advantage of upcoming shot clinics for animal vaccinations and noted that animal control officers are available to provide helpful resources to the community. The councilmember also shared that there are dogs at the local animal shelter in need of outings and encouraged residents to stop by and volunteer their time to help.

Councilmember Neal reported that Wataugafest is 122 days away and will begin on May 14. He also announced that sign-ups for Watauga 101 are now open and encouraged residents to participate. Additionally, he encouraged residents to visit the local animal shelter.

Mayor Miner also announced that applications for Watauga 101 will be accepted until Thursday.

PRESENTATIONS

1. Presentation of Service Awards for the City of Watauga Employees celebrating a Milestone Anniversary during the month of January

Sandra Gibson and Mayor Miner presented Lana Ewell, Library Director, with a service award in recognition of 25 years of service.

2. Presentation of Employee of the Month Award for the month of January

Sandra Gibson and Mayor Miner presented Tommy Sanders, Storm Drain Supervisor, with the Employee of the Month Award.

3. Presentation of the 2025 City of Watauga Annual Award Recipients.

Sandra Gibson and Mayor Miner presented the annual awards to the following recipients: Scott Orwig from the Animal Services Department, who received the Above and Beyond Award; Derek Plunkett from the Fire Department, who received the Employee of the Year Award; Natalie Cadavid, also from the Fire Department, who received the Rising Star Award; Aimee Chestnut from the Finance Department, who received the Making a Difference Award; and Chief Jim Lewis, who received the Leadership Award.

4. Spooktacular Yard Decorating Contest and Holiday of Lights Decorating Contest winners

Timothy Hamilton thanked the Parks Board members and staff who assisted in judging the contest, as well as Councilmember Hill, who has provided prizes for the winners for multiple years by purchasing gift certificates from local Watauga businesses.

The Spooktacular contest awards went to 6056 Judy Drive for the Animation Award; 6128 Skylark Lane for the Spookiest Award; and 6805 Bluff View Drive for the Judge's Favorite Award. There were no applicants for the Best Block Award.

For the Holiday of Lights contest, the Griswold Award was presented to 6464 Ridglea Drive; the Character Award to 6104 Brookside Court; the Animation Award to 7209 Kary Lynn Drive East; and the Judge's Favorite Award to 6625 Starnes Road. There were no applicants for the Best Block Award.

PUBLIC COMMENT

There was no request for public comment

PUBLIC TESTIMONY FOR ACTION ITEMS

There was no request for public testimony

CONSENT AGENDA

- 1. Consider action on approval of the Monthly Financial Report for the period ending November 30, 2025.**
- 2. Consider action on approval of a Resolution by the City Council of the City of Watauga, Texas approving the advanced funding agreement (AFA) between the City of Watauga, Texas and the Texas Department of Transportation for the Green Ribbon Program Phase 4; providing for Severability, providing an effective date (for right-of-way landscaping improvements from Basswood Blvd to Starnes Road along Highway US377)**
- 3. Consider action on approval of an Ordinance amending the classifications and number of positions in the City of Watauga Police Department**
- 4. Consider action on approval of a resolution to adopt the Tarrant County Hazard Mitigation Action Plan 2025.**

5. **Consider action on approval of a Professional Services Agreement between the City of Watauga and Dunaway Associates, LLC for the Capp Smith Food Truck Project design and construction plans**
6. **Consider action on approval of the December 8, 2025, City Council Meeting minutes.**
7. **Consider action on approval of the November 17, 2025, Special Council Meeting to Canvass the Bond Election.**
8. **Consider action on approval of the November 10, 2025, City Council meeting minutes**
9. **Consider action on approval of the May 31, 2025 Special Meeting Budget Retreat minutes**
10. **Consider action on approval of massage renewal permits for Golden Foot Spa and Hightower Salons**
11. **Consider action on approval of the appointment of Mia Whitham to Place 4 on the Planning and Zoning Commission.**
12. **Consider action on approval of the appointment of Jacob White to Place 3 on the Civil Service Commission.**

Mayor Miner called for a Motion. Councilmember Neal made a motion to accept as presented. Councilmember Blackburn seconded the motion

With no further discussion Mayor Miner called for a vote.

Motion passed 6-0-0-0.

Ayes: Shelbourne, Blackburn, Downey, Neal, Taylor, Hill

Nays: None

Abstain: None

Absent: None

ACTION ITEMS

1. **Consider action on approval of a Professional Services Agreement between the City of Watauga and Burgess & Niple, Inc. for Quail Meadow Storm Drain Engineering Design Paul Hackleman, Director of Public Works**

Paul Hackleman, Public Works Director, presented an agenda item to approve an engineering contract with Burgess and Niple for a major drainage project

affecting Quail Meadow, which drains onto the 26-acre Chapman Road Horse Farm and continues along Harrison Way, Lyndale, and Echo Hill Drive. The project could have addressed past drainage issues in Hightower Estates. A potential partnership with developers of the Chapman Road property may allow the system to run along their street instead of Quail Meadow, saving costs and preserving the existing system. The project's engineering is budgeted at \$825,000 from 2025 certificates of obligation, with total costs of \$1.25 million, leaving a \$425,000 shortfall. Moving forward aligns with the developer's design process and mitigates risk of design stoppage if future CO funding is unavailable.

A video presentation showed proposed storm drain lines, utilities replacement, new pavement, curb inlets, and sidewalks, as identified in the city's drainage master plan.

Mayor Miner called for a Motion. Councilmember Neal made a motion to approve as presented. Councilmember Downey seconded the motion

With no further discussion Mayor Miner called for a vote.

Motion passed 6-0-0-0.

Ayes: Shelbourne, Blackburn, Downey, Neal, Taylor, Hill

Nays: None

Abstain: None

Absent: None

EXECUTIVE SESSION

- 1. Pursuant to section 551.074 of the Texas Local Government Code (Personnel) to deliberate the appointment, employment, evaluation, reassignment, duties, discipline, or dismissal of a public officer or employee. To discuss and provide feedback regarding the annual performance evaluation of the City Manager.**

Mayor Miner recessed into executive session at 7:12 pm

RECONVENE

Mayor Miner reconvened the meeting at 7:41 pm

ITEMS OF EXECUTIVE SESSION DELIBERATION

1. Consideration and possible action relating to the appointment, employment, evaluation, reassignment, duties, discipline, or dismissal of a public officer or employee. To discuss and provide feedback regarding the annual performance evaluation of the City Manager.

No action was taken.

ITEMS FOR FUTURE AGENDAS

There were no items for future agendas

ADJOURNMENT

Mayor Miner adjourned the meeting at 7:41 p.m.

Approved: this _____ day of _____, 2026

Signed: this _____ day of _____, 2026

APPROVED:

Arthur L. Miner, Mayor

ATTEST:

Linda Proskey, City Secretary



AGENDA MEMORANDUM

DATE: February 26, 2026
TO: Honorable City Council Members
FROM: Linda Proskey, City Secretary
THROUGH: Linda Proskey, City Secretary
SUBJECT: Consider action on approval of the February 9, 2026 City Council Regular meeting.

BACKGROUND/INFORMATION:

City Council Regular Meeting Minutes for February 9, 2026 - Board of Appeals/Board of Adjustments

FINANCIAL IMPLICATIONS:

None

RECOMMENDATION/ACTION DESIRED:

Respectfully recommend the Council review and take action on the item presented.

ATTACHMENTS/ SUPPORTING DOCUMENTATION:

1. February 9, 2026 Reg. Meeting Minutes

REVIEWED BY:

Sandra Gibson, City Manager

Linda Proskey, City Secretary

Approved as to form for inclusion on Agenda

Approved - 2/26/2026

Final Approval - 2/27/2026



**MINUTES
WATAUGA CITY COUNCIL
REGULAR MEETING
CITY HALL COUNCIL CHAMBER,
7105 WHITLEY ROAD,
MONDAY, FEBRUARY 9, 2026
12:00 PM**

CALL TO ORDER

Mayor Arthur Miner called the meeting to order at 6:30 p.m.

ROLL CALL

The meeting was convened with the following members present:

Arthur L. Miner
Cris Blackburn
Pat Shelbourne
Lovie Downey
Andrew Neal
Vacant
Mark Taylor
Jan Hill

Mayor
Mayor Pro Tem Place 2
Council Member Place 1
Council Member Place 3
Council Member Place 4
Council Member Place 5
Council Member Place 6
Council Member Place 7

and

Sandra Gibson
Linda Proskey
Randy Barkley
Paul Hackelman
Kevin Mead
Jennifer Calvert
Timothy Hamilton
Julie Rodriguez
Lana Ewell

City Manager
City Secretary
Asst. City Manager/Fire Chief
Asst. City Manager/Public Works Director
Asst. Police Chief
Finance Director
Parks Director
Human Resources/Civil Service Director
Library Director

INVOCATION

Pastor Samuel of Lisu Church gave the invocation

PLEDGE OF ALLEGIANCE United States and Texas Flags

Mayor Miner led the Pledge of Allegiance

ANNOUNCEMENTS

Councilmember Blackburn stated that there are several large-breed dogs in need of homes and asked that people adopt one.

Councilmember Neal thanked city staff for their work during the ice storm, announced Wataugafest on May 14, noted upcoming library art classes for all ages, and encouraged visiting the animal shelter to adopt a dog.

Mayor Miner announced that the public library received another Achievement of Excellence award from the Texas Municipal Library Directors Association, placing it in the top 8% of over 250 libraries. He noted that Public Works had prepared well for the recent polar vortex, keeping roads in good condition—better than most other cities. Mayor Miner also shared that the mayor of Southlake sent a letter of thanks for the fire department's response to a recent event, highlighting the department's strong reputation in the community.

PRESENTATIONS

1. Presentation of Employee of the Month Award for the month of January

Sandra Gibson and Mayor Miner presented Sergeant Danielle Bannick from the police department, with the Employee of the Month Award.

2. Presentation of Service Awards for the City of Watauga Employees celebrating a Milestone Anniversary during the month of February

Sandra Gibson and Mayor Miner presented Brad Harston with the Milestone Anniversary Service award for 20 years.

PUBLIC COMMENT

There was no request for public comment

PUBLIC TESTIMONY FOR ACTION ITEMS

There was no request for public testimony

CONSENT AGENDA

- 1. Consider action on approval of an ordinance granting a franchise agreement between the City of Watauga and Atmos Energy Corporation to construct, maintain, and operate pipelines and equipment in the City of Watauga.**
- 2. Consider approval of a resolution approving the Advanced Funding Agreement (AFA) for the Local Government Maintenance of Railroad Crossing (Off System) between the City of Watauga and the Texas Department of Transportation (TxDOT) located at US 377 (Denton Hwy) and Watauga Road.**
- 3. Consider action on approval of an Ordinance by the city council of the City of Watauga, Texas amending ordinance no. 2026-002, to extend the deadline for submission of ballot applications for the May 2, 2026, special election to fill the vacancy in the unexpired term for City Council Place 5.**
- 4. Consider action to approve a franchise ordinance and to authorize the City Manager to enter into a franchise agreement with Tri- County Electric Cooperative for the provision of electric services in the City.**
- 5. Consider action to authorize submission of a grant application to apply for the grant (#5687201) to secure federal funds for the Watauga Police Department to purchase a 3D Laser Scanner**
- 6. Consider action on approval of the appointment of Crystal Morgan to Place 1 on the Animal Advisory Board**
- 7. Consider action on approval of the Quarterly Investment Report for the period ending December 31, 2025.**
- 8. Consider action on approval of the Monthly Financial Report for the period ending December 31, 2025.**

Mayor Miner pulled item 1 from the consent agenda and placed it on the March 9, 2026, agenda.

Mayor Miner called for a Motion. Councilmember Hill made a motion to accept the consent agenda as amended. Councilmember Neal seconded the motion

With no further discussion Mayor Miner called for a vote.

Motion passed 6-0-0-0.

Ayes: Shelbourne, Blackburn, Downey, Neal, Taylor, Hill

Nays: None

Abstain: None

Absent: None

ACTION ITEMS

- 1. Consideration of approval of an Ordinance of the City of Watauga, Texas, amending the Code of Ordinances, by amending Division 4 (Board of Appeals) of Article III (Boards and Commissions) Chapter 2 Administration) to repeal provisions of the code relating to the Board of Appeals, replacing references to the Board of Appeals to the City's Board of Adjustment and empowering the Board of Adjustment to serve as the Building Standards Commission, providing a repealing clause; proving a severability clause; and providing for an effective date.**

The amendment repeals provisions related to the board of appeals, replacing references with the city board of adjustment and empowering it to serve as the building standards commission. The city attorney was consulted to combine the two boards due to a shortage of citizens to serve, with the goal of expediting processes when required. Councilman Neal inquired about the board of appeals' legal authority on building codes and how it would be integrated into the new board. The ordinance consolidates all quasi-judicial authority into the board of adjustment, which exists at both the state level and in city ordinances. The consolidation aims to improve efficiency by having one qualified board handle all related matters, with members acting in different capacities depending on the issue.

Mayor Miner called for a Motion. Councilmember Shelbourne made a motion to approve as presented. Councilmember Downey seconded the motion

With no further discussion Mayor Miner called for a vote.

Motion passed 6-0-0-0.

Ayes: Shelbourne, Blackburn, Downey, Neal, Taylor, Hill

Nays: None

Abstain: None

Absent: None

ITEMS FOR FUTURE AGENDAS

There were no items for future agendas

ADJOURNMENT

Mayor Miner adjourned the meeting at 6:46 p.m.

Approved: this _____ day of _____, 2026

Signed: this _____ day of _____, 2026

APPROVED:

Arthur L. Miner, Mayor

ATTEST:

Linda Proskey, City Secretary



AGENDA MEMORANDUM

DATE: February 25, 2026
TO: Honorable City Council Members
FROM: Linda Proskey, City Secretary
THROUGH: Linda Proskey, City Secretary
SUBJECT: Consider action on approval of the February 9, 2026 Workshop minutes

BACKGROUND/INFORMATION:

Minutes from the Workshop held on February 9, 2024 - Animal Shelter Flood Study

FINANCIAL IMPLICATIONS:

None

RECOMMENDATION/ACTION DESIRED:

Respectfully recommend the Council review and take action on the item presented.

ATTACHMENTS/ SUPPORTING DOCUMENTATION:

1. February 9, 2026 Workshop

REVIEWED BY:

Sandra Gibson, City Manager

Linda Proskey, City Secretary

Approved - 2/26/2026

Final Approval - 2/27/2026

Approved as to form for inclusion on Agenda



**MINUTES
WATAUGA CITY COUNCIL
WORKSHOP MEETING
CITY HALL COUNCIL CHAMBER,
7105 WHITLEY ROAD,
MONDAY, FEBRUARY 9, 2026
5:30 PM**

CALL TO ORDER

Mayor Arthur Miner called the meeting to order at 5:30 p.m.

ROLL CALL

The meeting was convened with the following members present:

Arthur L. Miner
Cris Blackburn
Pat Shelbourne
Lovie Downey
Andrew Neal
Vacant
Mark Taylor
Jan Hill

Mayor
Mayor Pro Tem Place 2
Council Member Place 1
Council Member Place 3
Council Member Place 4
Council Member Place 5
Council Member Place 6
Council Member Place 7

and

Sandra Gibson
Linda Proskey
Paul Hackleman
Randy Barley
Timothy Hamilton
Kevin Mead

City Manager
City Secretary
Asst. City Manager/Director of Public Works
Asst. City Manager/Fire Chief
Director of Parks and Community Services
Assistant Police Chief

PUBLIC COMMENT

There was no request for public comment

PUBLIC TESTIMONY FOR ACTION ITEMS

There was no request for public testimony

ACTION ITEMS

1. Animal Shelter Flood Study Report Impacts and Wastewater Service Cost

Paul Hackleman, Public Works Director/Assistant City Manager, presented the findings from an engineering flood study related to potential expansion opportunities for the animal shelter, as outlined in the strategic plan. The presentation included existing and updated FEMA floodplain exhibits, noting that the official FEMA map adopted in 2019 shows the floodway extending more than halfway through the current shelter building. Updated survey work and flood modeling conducted by Burgess and Niple indicate the floodway no longer passes through the building, placing it instead within the 100-year floodplain. Staff recommended submitting the updated data to FEMA at a cost of approximately \$4,500, to remove the structure from the floodway and update the flood permit accordingly. An alternative option involving excavation and tree removal on the side of the property, estimated at \$380,000, would remove the building from the 100-year floodplain but would still require floodplain permitting for eastward expansion. Discussion emphasized that significant site constraints, floodplain limitations, sewer costs estimated at up to \$900,000, and overall expansion costs approaching \$1.3 million make major investment at the current location impractical. Members expressed support for submitting the FEMA update while continuing to pursue relocation options, noting the current facility's operational deficiencies and the need for a new animal shelter that better supports staff, animal care, and public interaction. A strategic meeting is planned later in the month to further evaluate alternative locations and long-term plans.

ITEMS FOR FUTURE AGENDAS

There were no items for future agendas

ADJOURNMENT

Mayor Miner adjourned the meeting at 5:57 p.m.

Approved: this _____ day of _____, 2026

Signed: this _____ day of _____, 2026

APPROVED:

ATTEST:

Arthur L. Miner, Mayor

Linda Proskey, City Secretary



AGENDA MEMORANDUM

DATE: February 20, 2026
TO: Honorable City Council Members
FROM: Arthur Miner, Mayor
THROUGH: Arthur Miner, Mayor
SUBJECT: Consider action on approval of Emily Kim to Place 4 on the Library Board

BACKGROUND/INFORMATION:

Mayor Miner recommends placing Emily Kim on the Library Board Place 4

FINANCIAL IMPLICATIONS:

None

RECOMMENDATION/ACTION DESIRED:

Respectfully recommend the Council review and take action on the item presented.

ATTACHMENTS/ SUPPORTING DOCUMENTATION:

1. Kim, Emily_ 01.20.26 _Library Board 1st Preference_Parks 2nd Preference

REVIEWED BY:

Sandra Gibson, City Manager

Linda Proskey, City Secretary

Approved - 2/26/2026

Final Approval - 2/27/2026

Approved as to form for inclusion on Agenda



AGENDA MEMORANDUM

DATE: March 3, 2026
TO: Honorable City Council Members
FROM: Linda Proskey, City Secretary
THROUGH: Linda Proskey, City Secretary
SUBJECT: Consider action on approval of an ordinance canceling the May 2, 2026, Special Election to fill a vacancy for an unexpired term, Place 5.

BACKGROUND/INFORMATION:

A Special Election was called on January 5, 2026, to fill a vacancy on the City Council, Place 5. Only one candidate applied and is unopposed. This order is to cancel the Special Election and declare Stephen Welch as the elected official to City Council Place 5

FINANCIAL IMPLICATIONS:

None

RECOMMENDATION/ACTION DESIRED:

Respectfully recommend the Council review and take action on the item presented.

ATTACHMENTS/ SUPPORTING DOCUMENTATION:

1. May 2_Certification of Unopposed Candidate Place 5 S
2. Watauga Ordinance Cancelling May 2026 Special Election Place 5

REVIEWED BY:

David Berman, City Attorney

Sandra Gibson, City Manager

Linda Proskey, City Secretary

Approved as to form for inclusion on Agenda

Approved - 3/3/2026

Approved - 3/3/2026

Final Approval - 3/3/2026

13-1 Prescribed by Secretary of State
 Section 2.051 – 2.053, Texas Election Code
 9/2023

**CERTIFICATION FOR UNOPPOSED CANDIDATES FOR OTHER POLITICAL SUBDIVISIONS
 (NOT COUNTY)
 CERTIFICACIÓN DE CANDIDATOS SIN Oponentes PARA OTRAS SUBDIVISIONES POLÍTICAS
 (NO CONDADO)
 GIẤY CHỨNG NHẬN KHÔNG CÓ ĐỐI THỦ TRANH CỬ ĐỐI VỚI CÁC PHÂN KHU CHÍNH TRỊ KHÁC
 (KHÔNG PHẢI QUẬN HẠT)**

To: Presiding Officer of Governing Body
Para: Funcionario que preside del Órgano de Gobierno
Kính gửi: Viên chức chủ trì của Cơ quan quản lý

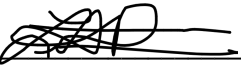
As the authority responsible for having the official ballot prepared, I hereby certify that the following candidates are unopposed for election to office for the election scheduled to be held on May 2, 2026.
 Como autoridad responsable de la preparación de la boleta oficial de votación, certifico por la presente que los siguientes candidatos no tienen oponentes para ser electos a los cargos en la elección programada para el 2 de mayo de 2026.

Với tư cách là người có thẩm quyền chịu trách nhiệm chuẩn bị lá phiếu, theo đây tôi chứng nhận các ứng cử viên sau đây không có đối thủ tranh cử trong cuộc bầu cử dự kiến diễn ra vào ngày 2 Tháng Năm, 2026.

List offices and names of candidates:
Lista de cargos y nombres de los candidatos:
Danh sách các chức vụ và tên ứng cử viên:

Office(s)/Cargo(s)/(Các) chức vụ tranh cử
 Council Member, Place 5

Candidate(s)/Candidato/a(s)/(Các) ứng cử viên
 Stephen Welch



Signature/Firma/Chữ Ký

Linda Proskey
Printed name/Nombre en letra de imprenta/Tên Viết Bằng Chữ In

(Seal)/(Sello)/(Con Dấu)

City Secretary
Title/Título/Chức Danh

03/03/2026
Date of signing/Fecha de la firma/Ngày ký



See reverse side for instructions
 Véanse instrucciones en el reverso
 Xem mặt sau để biết hướng dẫn

**CITY OF WATAUGA, TEXAS
ORDINANCE NO. 2026-**

AN ORDINANCE BY THE CITY COUNCIL OF THE CITY OF WATAUGA, TEXAS, DECLARING AN UNOPPOSED CANDIDATE ELECTED TO THE OFFICE OF COUNCIL MEMBER PLACE 5 FOR THE REMAINDER OF THE UNEXPIRED TERM OF OFFICE; CANCELING THE MAY 2, 2026, SPECIAL ELECTION TO FILL THE VACANCY; REQUIRING ISSUANCE OF A CERTIFICATE OF ELECTION TO THE UNOPPOSED CANDIDATE; AND PROVIDING AN EFFECTIVE DATE.

WHEREAS, a special election was called for May 2, 2026, to elect Council Member Place 5, and

WHEREAS no proposition or opposed at-large race appears on the ballot, and the City Secretary has certified that there is only one candidate for Council Member Place 5, and, therefore, the candidate is unopposed, and

WHEREAS no candidate's name has been placed on a list of write-in candidates for any office under applicable law, and the City Secretary has delivered a Certification of Unopposed Candidates (Exhibit "A" attached) to the City Council; and

WHEREAS under these circumstances, Subchapter C, Chapter 2, Texas Election Code, authorizes the Council to declare the candidate elected to office and to cancel the special election.

NOW, THEREFORE, BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF WATAUGA, TEXAS, THAT:

I

The City Council finds that the above-stated premises are true and correct.

II

The unopposed candidate for Council Member Place 5, listed below, is hereby declared elected to office, to fill the vacancy for the remainder of the unexpired term of office, to wit:

Council Member Place 5 – Stephen Welch

III

The City Secretary is directed to issue a Certificate of Election to the above-named members of the City Council in the manner and at the same time as provided for a candidate elected to office at the election. The person declared elected herein must qualify for the office in the same manner as provided for a candidate elected at the election. The City Secretary is hereby directed to post a

copy of this Ordinance on election day at each polling place that would have been used in the election cancelled herein.

IV

The Special Election to fill a vacancy, for Place 5 for the remainder of the unexpired term of office for the City of Watauga on May 2, 2026, is canceled.

V

This Ordinance shall become effective and be in full force and effect from and after the date of passage and adoption by the City Council and upon approval thereof by the Mayor of the City of Watauga, Texas and publication hereof as prescribed by law.

PASSED AND ADOPTED by the City Council of the City of Watauga, Texas, the ____ day of _____ 2026.

APPROVED:

ARTHUR L. MINER, MAYOR

ATTEST:

LINDA PROSKEY, CITY SECRETARY

APPROVED AS TO FORM AND LEGALITY:

DAVID M. BERMAN, CITY ATTORNEY



AGENDA MEMORANDUM

DATE: February 17, 2026

TO: Honorable City Council Members

FROM: Jennifer Calvert, Finance Director

THROUGH: Sandra Gibson, City Manager

SUBJECT: Consider action on approval of a Resolution authorizing participation in the U.S. Fixed Income Trust (US FIT) or one of its Texas public funds investment pools, e.g. Texas FIT (TX-FIT).

BACKGROUND/INFORMATION:

The U.S. Fixed Income Trust (US FIT) and its Texas public funds investment pools were established in 2019 and are designed for local and state governments. Texas Fixed Income Trust, or TX-FIT, is one of the pools held within the US FIT. TX-FIT is supervised by a Board whose members are participants, and include representatives from the City of San Marcos, and the City of Granbury. The board utilizes Wertz York Capital Management Group, LLC (d/b/a Deep Blue Investment Advisors) as the financial advisor. The pool administrator is Gryphon 17, LLC and the custodian is U.S. Bank National Association.

The pools are AAA rated by Fitch with 3 options: The TX-FIT Choice Pool, TX-FIT Cash Pool, and TX-FIT Government Pool. The pools meet the requirements of the Public funds Investment Act and may invest in any or all the legal investments specified in applicable state law. Such investments may include but are not limited to the following:

- U.S. Treasury Bills, Notes, and Bonds,
- Obligations of or guaranteed by U.S. Government Agencies and Instrumentalities,
- Municipal obligations including state and local government obligations (subject to limitation),
- Certificates of Deposits that meet the requirements of the Act,
- Bankers' Acceptances,
- Money market mutual funds,
- Repurchase Agreements,
- Highly Rated Commercial Paper
- Guaranteed Investment Contracts

The City participates in other government investment pools including TexPool, LOGIC, and Texas Term.



AGENDA MEMORANDUM

FINANCIAL IMPLICATIONS:

To be determined; based on amount invested and interest rate.

RECOMMENDATION/ACTION DESIRED:

It is recommended the City Council adopt the resolution as drafted.

ATTACHMENTS/ SUPPORTING DOCUMENTATION:

1. US FIT Resolutiontxfit
2. TX-FIT-Information-Statement-overview
3. TX-FIT-Financial-Statement-Disclosure-093025
4. TX-FIT-IPS-August-2025 Investment Policy
5. June-2025_Texas-FIT-Government_Pool

REVIEWED BY:

David Berman, City Attorney

Sandra Gibson, City Manager

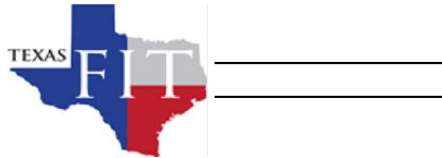
Linda Proskey, City Secretary

Approved - 2/23/2026

Approved - 2/25/2026

Final Approval - 2/25/2026

Approved as to form for inclusion on Agenda



Resolution Authorizing Participation in the U.S. Fixed Income Trust Investment Pools and Designating Authorized Representatives

WHEREAS, the Public Funds Investment Act (the “Act”) provides for the creation of public funds investment pools to which any local government or state agency of the State of Texas may delegate, by contract, the authority to hold legal title as custodian and to make investments purchased with local funds;

WHEREAS, the U.S. Fixed Income Trust ("US FIT") and its Texas public funds investment pools (“Texas FIT” or “TX-FIT”) were created under the Act to meet the investment objectives of preservation and safety of principal, liquidity, and yield consistent with the Act (the “investment objective”);

WHEREAS, Participant is a local government or state agency of the State of Texas, is permitted to invest local funds under the Act, and has determined that investing in Texas FIT is in the Participant’s best interest; and

WHEREAS, Participant has delegated its authority to certain authorized representatives to enter into an agreement with public funds investments pools created under the Act for the investment of local funds;

NOW, THEREFORE, be it resolved that:

- A. Participant shall enter into a Participation Agreement to establish an account in its name in US FIT or one of its pools, for transmitting local funds for investment in US FIT.
- B. The individuals, whose signatures appear in this Resolution, are authorized representatives of Participant and are each authorized to transmit funds for investment in US FIT and further authorized to withdraw funds from time to time, issue letters of instruction to the pools and their service providers, and complete any documentation related and to take all other actions deemed necessary or appropriate for the investment of local funds.

Authorized Representatives

The Authorized Representatives provided below will have primary responsibility for performing transactions and receiving confirmations and monthly statements under the Participation Agreement.

Authorized Representatives

By: _____
Name: _____
Title: _____
Phone: _____
Fax: _____
Email: _____

Authorized Representatives

By: _____
Name: _____
Title: _____
Phone: _____
Fax: _____
Email: _____

By: _____
Name: _____
Title: _____
Phone: _____
Fax: _____
Email: _____

By: _____
Name: _____
Title: _____
Phone: _____
Fax: _____
Email: _____

C. This resolution and its authorization shall continue in full force and effect until amended or revoked by the Participant and US FIT receives a copy of any such amendment or revocation.

This resolution is introduced and adopted by the Participant at its regular/special meeting held on the day of _____, 20__.

Document must be signed by your Board President, Mayor, or County Judge and attested by your Board Secretary, City Secretary, or County Clerk.

Participant

By: _____
Name: _____
Title: _____
Date: _____

Attest

By: _____
Name: _____
Title: _____
Date: _____





U.S. FIXED INCOME TRUST

Information Statement - TEXAS FIT POOLS

March 1, 2025

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No person or entity has been authorized to give any information or to make any representations other than those contained in this Information Statement, and, if given or made, such information or representations must not be relied upon as having been authorized by *U.S. Fixed Income Trust* (the “Trust”), its *Board of Trustees* (the “Board”), *Wertz York Capital Management Group, LLC* (d/b/a *Deep Blue Investment Advisors*), the investment adviser to the Trust and its series (the “Advisor”) or any agent of the Trust or the Board.

The Trust is designed for local and state government entities (referred to herein as a “Participant” or “Participants”). Each potential Participant may request a copy of this Information Statement before becoming a Participant. This Information Statement for the Texas FIT Pools (includes Texas FIT Government Pool, Texas FIT Cash Pool and Texas FIT Choice Pool), which are series portfolios of the Trust. This Information Statement contains a summary of the Trust Agreement and other relevant information and it supplements the Investment Policy. The Trust’s Texas FIT Pools are designed for local and state government entities in specific states under that state’s laws and regulations.

This summary is qualified in its entirety by reference to the full text of the Trust Agreement. All potential Participants are encouraged to read the Trust Agreement in its entirety for more complete information regarding the Trust. The Trust Agreement is available for downloading at www.usfixedincometrust.com.

Additional information that is a required part of this Information Statement is included in the monthly statements furnished to each Participant. The Information Statement will be updated through supplemental material and may be used only if it is accompanied by such information.

Article I. Overview of the Trust and the Texas FIT Pools

Part I of this Information Statement contains certain information about the operation and policies of the Trust and the Texas FIT Pools. The Texas FIT Choice Pool refers to one of several series of the Trust (throughout this Information Statement, the other series of the Trust, along with the Texas FIT Choice Pool, may be referred to generally as a “Pool,” “Pools” or “series”). The Texas FIT Choice Pool was established with a two-year term. The Board will issue a new series each year, which will also be identified as the Texas FIT Choice Pool, although each new series will constitute a separate and distinct securities issuance. This Information Statement pertains to each series of the Trust identified as a Texas FIT Pool, including the Texas FIT Choice Pool. The Board has hired the Advisor to serve as the investment advisor to the Texas FIT Pools. The Board has also hired *Gryphon 17, LLC* (the “Administrator”) to serve as the administrator, accounting agent, and investor services representative to the series comprising the Trust, and the Board has also retained *U.S. Bank National Association* (the “Custodian”), to serve as the custodian to the Pools. Additional information regarding these firms, as well as other service providers to the Trust (hereafter referred to as the “Service Providers”) is provided later in this Information Statement.

The Texas FIT Choice Pool is designed to provide each Participant in the Pool with a fixed rate investment with a fixed maturity of between 60 days and one year. Upon investment in the Texas FIT Choice Pool, a Participant, will be provided a daily rate sheet with projected yield indications for the varied fixed maturity ranges. Participants will determine the maturity date (e.g., 60 days, 90 days, 120 days) for their particular investment needs. Yields can change daily. Participant may call the 800 number provided or respond to daily rate email to make investment inquiry and transaction. Investments in Texas FIT Choice Pool are dependent upon funds available in participant’s designated Account (as defined in Section 1.02). Any additional funds needed to ensure accurate investment, may be wired to the Participant’s Account. Such projected yield will only be good for the date (and for the particular term) on which such projection is provided. At the end of the term for a particular Participant, the Trust seeks to return to a Participant its principal, as well as any dividend earned on such principal during the term. In the event no trade instructions are given prior to maturity, the planned redemption will take place on the maturity date and the redemption proceeds will be returned to the Account (defined below in Section 1.02 and discussed further in Section 2.02). ***Withdrawal (i.e., a request for an early redemption) of particular investment from the Texas FIT Choice Pool at any time other than on the predesignated redemption date (i.e., the maturity date) may result in a substantial loss of principal, as well as the incursion of related costs associated with such redemption. Participants will bear the risk of loss from effecting an early redemption and any related costs, and such loss and expense will not be borne by the Texas FIT Choice Pool.***

Section 1.01. Purpose of the Trust

The purpose of the Trust is to offer one or more investment Pools through which a Participant may aggregate any of its funds or funds under its control to preserve principal, to maintain the liquidity of the Participant, and to maximize current income in accordance with the applicable state laws governing the investment of funds of a Participant or funds under its control.

Each Pool, including the Texas FIT Choice Pool, intends to invest Participant assets in accordance with such Pool’s Investment Policy, which is designed to comply with applicable state law. The Investment Policy and Investment Strategy of each Pool, including the Texas FIT Choice Pool, may be amended from time to time by approval from a majority of the Board.

Section 1.02. Who can Invest in the Trust?

Eligible Participants are generally any municipality, county, school district or authority created under applicable state law or a fresh water supply district, a hospital district and any political subdivision, authority, public corporation, body politic, or instrumentality of the state, any office, department, commission, board, or other agency that is part of any branch of state government, an institution of higher education, and any nonprofit corporation acting on behalf of any of those entities that has taken the actions required to participate in the Trust.

Any local or state government entity that becomes a Participant has the same rights and obligations to the Pool as other Participants. Each Participant shall have the right to invest funds in the Pool that they deem best for their needs and, with respect to the Texas FIT Choice Pool, for an appropriate duration as determined by the Participant.

Each Participant has the right to redeem any or all of its investment in the Pools during normal operating hours of the Administrator subject to the important note below. *It is important for Participants to understand that an investment into, or redemption from, the Texas FIT Choice Pool may only be affected by initially establishing an account in one of the Pools in the Trust (the "Account").*

IMPORTANT NOTE: If a Participant redeems out of the Texas FIT Choice Pool prior to the designated maturity date (which is set upon investment), the Participant may suffer a loss of principal and other costs that may be incurred as a result of satisfying such early redemption. Each Participant should choose an appropriate maturity date prior to any investment after a careful consideration of the Participant's particular circumstances and needs. It is also possible that an early redemption may not be able to be satisfied on a next day basis depending upon, among other factors, market conditions.

Any Participant may request a redemption from their Account at any time upon written notice to the Administrator. Upon receipt of any redemption request, the Administrator will send the proper instructions to the Custodian. While the Trust will attempt to satisfy the redemption proceeds no later than the next business day. Participants should understand that it is possible that such satisfaction may not be possible with an early redemption. Participants should also be aware that the Trust does reserve the right to suspend redemptions during periods of crisis that affect the financial markets of the United States. The Administrator will work with the Custodian to ensure the Participants instructions are properly followed. A Participant may close their Account at any time without penalty, subject to the terms of an early redemption as described above.

Each Participant has the right to redeem any or all its investment in the Pools during normal operating hours of the Administrator. Subject to meeting the daily times for giving notice, which may be adjusted by the Trust, there is no limitation on the period that funds must be invested prior to such payment.

Upon receipt of any payment request, the Administrator will send the proper instructions to the Custodian and the Participant should typically receive the redemption proceeds no later than the next business day. The Trust does reserve the right to suspend redemptions during periods of crisis that affect the financial markets of the United States.

Any Participant may redeem proceeds from their account at any time without penalty upon written notice to the Administrator. The Administrator will work with the Custodian to ensure the Participants instructions are properly followed. A Participant may close their account at any time without penalty.

Each Participant must designate an authorized representative to act for the Participant. This person must have the authority to give and receive consent on behalf of the Participant. Under applicable state law, this person is usually the investment officer that is empowered by the charter, ordinances, and any local regulation to direct the investments for such Participant.

Section 1.03. Investment Objectives, Investment Policies and Investment Risks of the Trust

The Pools have been specifically designed for the use by Participants. Accordingly, the pools of the Trust and the Texas FIT Choice Pool are designed to consist solely of securities in which such Participants are permitted to invest in pursuant to applicable state law. All investment securities purchased for the Pools are held by the Custodian for the benefit of the Pools. Any city or county charters that contain investment provisions more restrictive than the applicable state law may not comply with such investment provisions in making an investment in the Texas FIT Pools. Compliance with such restrictions is the responsibility of the Participant.

The Pools may invest in any or all the legal investments specified in applicable state law (referred to herein as “Permitted Investments”). Such investments may include but are not limited to the following:

- U.S. Treasury Bills, Notes, and Bonds,
- Obligations of or guaranteed by U.S. Government Agencies and Instrumentalities,
- Municipal obligations including state and local government obligations (subject to limitation),
- Certificates of Deposits that meet the requirements of the Act,
- Bankers’ Acceptances,
- Money market mutual funds,
- Repurchase Agreements,
- Highly Rated Commercial Paper
- Guaranteed Investment Contracts

The Board has adopted an Investment Policy on behalf of each Pool. The Pools may only invest in those securities authorized by the applicable state law and will invest in accordance with its current Investment Policy. The Pool’s Investment Policy is available at www.tx-fit.com.

Each Pool will seek to attain its investment objective, which is described in the Investment Policy. However, no guarantees or assurances can be given that any Pool will achieve its investment objective or that any benefit described in this Information Statement will result from the placement of money in the Pool. Importantly, Participants should be aware that while they will be provided with a projected rate sheet at the time of investing in the Pools, there can be no assurance that such yield will actually be realized. Each Participant should also be aware that the investment results that it realizes may be different than the results of the Pool since each investment by a Participant is customized to the specific needs of that Participant whereas reporting for the overall Pools as reflected in its audited financial statements reflects the overall results of the Pool (*i.e.*, the comingled investments of all Participants in the Pools).

Participants should specifically consider, among other things, the following risks before making a decision to invest in the Pools. The following summary does not purport to be comprehensive or definitive of all risk factors.

Interest Rate Risks – The prices of the fixed-income securities in which the Pools will invest rise and fall in response to changes in the interest rates paid by similar securities. Generally, when interest rates rise, prices of fixed-income securities fall. However, market factors, such as demand for particular fixed-income securities, may cause the price of certain fixed-income securities to fall while the price of other securities rise or remain unchanged. Interest rate changes have a greater effect on the price of fixed-income securities with longer maturities. In the event a Participant were to redeem an investment from the Texas FIT Choice Pool prior to maturity, the Participant would be subject to potential interest rate risks, which could, in turn, affect the value of the Participant's investment.

Credit Risks – Credit risk is the possibility that an issuer of a fixed-income security held by the Pools will default on the security by failing to pay interest or principal when due. If an issuer defaults, a Pool will lose money. More specifically, because the structure of the Texas FIT Choice Pool is designed to provide Participants with a very customized investment solution, specific purchases are made for each investment by a Participant in the Pool, and the Participants may be exposed to the discrete creditworthiness risk of the specific issues that have been purchased for such Participants. In the event of an issuer default, the Participants with exposure to such issuer through their investment in Texas FIT Choice Pool may be exposed to a potential loss on that investment while other Participants in the pool may not be exposed to the same risks.

Early Redemption Risks – If a Participant redeems out of the Texas FIT Choice Pool prior to the designated maturity date (which is set upon investment), the Participant may suffer a loss of principal and other costs that may be incurred as a result of satisfying such early redemption. Each Participant should choose an appropriate maturity date prior to any investment after careful consideration of the Participant's particular circumstances and needs. It is also possible that an early redemption may not be able to be satisfied on a next day basis depending upon, among other factors, market conditions. Under normal circumstances, the Adviser will seek to satisfy any early redemption request within seven (7) business days although market conditions could dictate longer periods of time.

Section 1.04. Pool Information

Under applicable state law, the Board has appointed the Advisor to invest and manage the Pools of the Trust. Pool transactions will generally be executed through registered broker-dealers. Most transactions will be conducted on a principal basis, which means the transactions will be conducted on a net basis and involve no payment of brokerage commissions. For the most current information on the Texas Pools, please visit the website at www.tx-fit.com.

Article II. Investing in the Texas FIT Pools

Section 2.01. Investments and Payments by Participants

Any entity authorized under applicable state law may invest in the Trust. Please refer to Section 1.02 of this Information Statement.

Investments in, and payments from, the Pools can be made by Participants on any business day that the Trust is open for business by notifying the Administrator by telephone, through secure online portal or by written notice. It is the responsibility of Participants to provide instructions to their respective banks to wire or electronically transfer funds to their Pool account.

Participants are responsible for any wire charges billed by their banks. Custodian wire charges are an expense of the Trust. For security purposes, only previously designated representatives of the Participant may conduct

transactions, and funds will only be wired to payees listed on the list of approved payees provided by the Participant to the Administrator in advance of the payment. The Administrator reserves the right to hold any redemptions if they believe an unauthorized person is giving instruction on behalf of a Participant.

A Participant that invests in the Texas FIT Choice Pool should coordinate with the Adviser to set a maturity date that is appropriate for that Participant. At the maturity date of the Participant's investment in the Texas FIT Choice Pool, if no instructions are received from the Participant, the Participant's Account assets will be invested in a money market fund or money market instruments as part of the general assets of the FIT Choice Pool and such assets will have daily liquidity until direction is received from Participant. Further, if the Participant fails to provide instructions on how to invest its assets in the Account within thirty (30) days after the maturity date, those assets, subject to the discretion of the Adviser to determine otherwise, will be moved to the TX-FIT Cash Pool or TX-FIT Government Pool.

For security purposes, only previously designated representatives of the Participant may conduct transactions, and funds will only be wired to payees listed on the list of approved payees provided by the Participant to the Administrator in advance of the payment. The Administrator reserves the right to hold any redemptions if they believe an unauthorized person is giving instruction on behalf of a Participant.

For telephone transactions, all conversations are recorded for accuracy and verification.

**PLEASE REFER TO SECTION 1.02 FOR INFORMATION REGARDING EARLY
REDEMPTIONS FROM THE TEXAS FIT CHOICE POOL**

A Participant may withdraw proceeds from their account at any time during normal hours of operation by transacting through the secure online portal or by sending an appropriate written notice to the Administrator.

Section 2.02. Purchase, Redemption, Valuation Procedures for Texas FIT Choice Pools

Specific purchase, redemption, and valuation procedures are set forth below. These procedures may be amended by the Board.

I. Purchase Procedures

Wire Purchases

All wire purchases (deposits) received in good order into the Account prior to 2:00 p.m. Central time ("CT") will be processed that same day and will participate in that day's income accrual. This means that a purchase (deposit) will be received into the Account and then immediately transferred over to the Texas FIT Choice Pool. Wire purchases received in good order after 2:00 p.m. CT, but before the market close (generally, 3:00 p.m. CT), will be processed that same day, but will those purchase proceeds will not be transferred to the Texas FIT Choice Pool until the next day's income accrual (a new projected yield will be provided on the next day). All wire purchase transactions received in good order after the market close will be processed the next business day (a new projected yield will be provided on the next day).

ACH Purchases

All ACH purchases (deposits) received in good order prior to 2:00 p.m. CT will be processed that same day and will participate in the next day's income accrual. This means that an ACH purchase (deposit) once received into the Account will be immediately transferred over to the Texas FIT Choice Pool. ACH purchases received

in good order after 2:00 p.m. CT, but before the market close (generally, 3:00 p.m. CT), will be processed that same day, but those purchase proceeds will not be transferred to the Texas FIT Choice Pool until the next day's income accrual (a new projected yield will be provided on the next day). All wire purchase transactions received in good order after the market close will be processed the next business day (a new projected yield will be provided on the next day).

Purchases initiated via wire transfer are immediately available.

II. Redemption Procedures

Absent instructions from the Participation to reinvest in the Texas FIT Choice Pool, upon maturity, the Trust will seek to return to the Account the Participant's principal and accrued dividend. Such proceeds will remain in the Account and invested in accordance with instructions provided by the Participant.

Wire Redemptions

If a Participant seeks to have redemption proceeds wired from the Account, such a request received in good order prior to 2:00 p.m. CT will be processed that same day from the Account and will not participate in that day's income accrual. Wire redemptions received in good order after 2:00 p.m. CT, but before the market close (generally, 3:00 p.m. CT) will be processed that same day but will also receive that day's income accrual. All wire redemption transactions received in good order after the market close will be processed the next business day.

Please note that ACH redemption proceeds may take 2 to 3 business days to settle to your bank account.

IMPORTANT NOTE: *If a Participant redeems out of the Texas FIT Choice Pool prior to the designated maturity date (which is set upon investment), the Participant may suffer a loss of principal and other costs that may be incurred as a result of satisfying such early redemption. Each Participant should choose an appropriate maturity date prior to any investment after a careful consideration of the Participant's particular circumstances and needs. It is also possible that an early redemption may not be able to be satisfied on a next day basis depending upon, among other factors, market conditions.*

III. Valuation Procedures

The Advisor is responsible for pricing securities in the Texas FIT Choice Pool. The Advisor may delegate this responsibility to the Administrator, but remains responsible for the accuracy of the valuation applied. Investments in the Texas FIT Choice Pool are valued by using the amortized cost method of valuation.

Section 2.03. Purchase, Redemption and Valuation Procedures for Texas FIT Pools

I. Purchase Procedures

Wire Purchases

All wire purchases (deposits) received in good order prior to 2:00 p.m. Central time ("CT") will be processed that same day and will participate in that day's income accrual. Wire purchases received in good order after 2:00 p.m. CT, but before the Pools' market close (3:00 p.m. CT), will be processed that same day, but will receive the next day's income accrual. All wire purchase transactions received in good order after the Pools' 3:00 p.m. CT market close will be processed the next business day.

ACH Purchases

All ACH purchases (deposits) received in good order prior to 2:00 p.m. CT will be processed that same day and will participate in the next day's income accrual. All ACH purchase transactions received in good order after the Pool's 3:00 p.m. CT market close will be processed the next business day.

Online and telephone purchases initiated via ACH will not be available for redemption until funds have settled into the pool. Purchases initiated via wire transfer are immediately available.

II. Redemption Procedures

Wire redemption requests received in good order prior to 2:00 p.m. CT will be processed that same day and will not participate in that day's income accrual. Wire redemptions received in good order after 2:00 p.m. CT, but before the Pool's market close (3:00 p.m. CT) will be processed that same day but will also receive that day's income accrual. All wire redemption transactions received in good order after the Pools' 3:00 p.m. CT market close will be processed the next business day.

III. Valuation Procedures

Market Based Valuation Methods

Under normal circumstances, where the Advisor is responsible for pricing Pool securities it will do so using prices provided by a recognized independent pricing service. Such pricing services will use commonly accepted industry standards in valuing securities. The Advisor may delegate this responsibility to the Administrator but remains responsible for the accuracy of the valuation applied.

If the Advisor decides that a price provided by the pricing service does not accurately reflect the fair market value of the securities, when prices are not readily available from a pricing service, or when restricted or illiquid securities are being valued, securities are valued using the "Fair Valuation Procedures" set forth below. Short-term investments in fixed income securities with maturities of less than 60 days when acquired, or which subsequently are within 60 days of maturity, are valued by using the amortized cost method of valuation.

For unsettled, new issue government bonds, fair market prices will be established if the Advisor believes the prices of such bonds have changed by more than 20% since purchase. To determine the fair market price, the Advisor will first seek any current market activity on the bond. If current bid/asks are in place, then the mean of the two will be used as the current market price. If no market activity exists, then the Advisor will determine the fair market price in accordance with the procedures described below under "Fair Valuation Procedures."

Fair Valuation Procedures

In circumstances where the Advisor must provide fair valuations, the following procedures shall be followed in circumstances that may require fair valuation of the pool securities and other assets.

Some of the factors that the Advisor will consider in determining a fair value for an individual security include, include, but shall not be limited to:

- cost at date of purchase;

- size of the position;
- discount from market value of unrestricted securities of the same class at time of purchase;
- financial statements of the issuer;
- the fundamental analytical data relating to the investment;
- the nature and duration of restrictions (if any) on disposition of the securities;
- evaluation of the forces that influence the market in which these securities are purchased or sold;
- changes in interest rates;
- government (domestic or foreign) actions or pronouncements;
- other news events, type of security;
- special reports prepared by analysts;
- information as to any transactions or offers with respect to the security;
- existence of merger proposals or tender offers affecting the securities;
- price and extent of public trading in similar securities of the issuer or comparable companies; and
- other relevant matters.

As a general matter, the Advisor will value a Pool security or other asset primarily by reference to the public market if there is a public market for securities of the same class or similar securities; primarily by reference to private transactions if public market reference is not available and private transaction reports are available; and primarily by use of one or more analytical methods or models if public and private market references are not available or not reliable. The Advisor may also use cost if, in its determination, no better method of valuation is available.

Section 2.04. Reports to Participants

Each Participant receives an annual report containing the audited financial statements of the Pool(s), including a statement of assets and liabilities and a statement of operations and changes in net assets of the respective Pools. The Pools' fiscal year-end is June 30th of each calendar year. Each Participant receives a monthly report of its Account. The audited financial statements of the Pools reflect the overall results of the specific Pool(s) (*i.e.*, they reflect the investments of all Participants). Whereas the monthly reports to each Participant will be customized to the particular investments allocated to such Participant.

Potential Participants are advised to review the financial reports for the Pools that are made available to them.

Article III. Management of The Trust

Section 3.01. Trustees and Board of Trustees; Advisory Board

Pursuant to the Trust Agreement the Trust is supervised by a Board, which supervises the Trust and its affairs and acts as the liaison between the Participants and the various Service Providers serving the Trust. The Board administers the affairs of the Trust and enters into contracts and agreements on behalf of the Trust to effectuate the terms of the Trust Agreement and the Pools. Pursuant to this authority, the Board selects the investment adviser, administrator, custodian, auditors and legal counsel to the Trust. The Board has the authority to hire other specialists or experts to serve the Trust as deemed necessary.

The Board is comprised of Permanent and Rotational trustees. The Permanent Trustees are appointed by the Initial Trustee and are then responsible for filling any vacancies. The Rotational Trustees are nominated

and elected by the Permanent Trustees from representatives on the Trust's state-specific advisory boards. The current list of Trustees is available at www.usfixedincometrust.com.

Each Trustee, excluding any trustee(s) that is/are an affiliate of a service provider to the Trust, is paid an annual retainer for their services to the Trust. In addition, all Trustees are reimbursed by the Trust for reasonable out-of-pocket expenses incurred in performing their duties and attending meetings of the Board.

The Trust has appointed, on behalf of each state where investment Pools are offered, an Advisory Board composed of persons who do not have a business relationship with the Trust but are qualified to advise the Trust. The Advisory Board provides advice to the Board and the Advisor about the Investment Policy and Investment Strategy of the state specific Pools and about other matters as requested by the Board and the Advisor.

Section 3.02. Identity of Service Providers

Advisor

Wertz York Capital Management Group, LLC (d/b/a Deep Blue Investment Advisors), located at 5502 North Nebraska Avenue, Tampa, FL 33604, is the investment advisor to the Texas FIT Pools and is an SEC-registered investment adviser.

Administrator

Gryphon 17, LLC, located at 3000 Auburn Dr – Suite 410, Beachwood, OH 44122, is the administrator to the Texas FIT Pools and is an SEC-registered transfer agent.

Custodian

U.S. Bank National Association, located at 1555 North Rivercenter Drive, MK-WI-S302, Milwaukee, WI 53212, is the custodian to the Trust and the Texas FIT Pools.

Auditor

The independent auditor for the Trust is CliftonLarsonAllen LLP, located at One Tampa Center, 201 North Franklin Street, Suite 2500, Tampa, FL 33602-5845. The auditor will provide an opinion on the financial statements of the respective Pools of the Trust in accordance with generally accepted accounting principles.

Attorneys

Bryant Miller Olive P.A., serves as general counsel to the Trust and is located at 400 N. Tampa St., Suite 1600, Tampa, FL 33602.

Nelson Mullins, serves as securities law counsel to the Trust and is located at 330 Madison Ave, 27th Floor, New York, NY 10017.

Section 3.03. Duties of the Advisor, Administrator, and the Custodian

To facilitate the business of the Trust, and in conformance with applicable state law, the Trust has entered into agreements with the Advisor, Administrator, and the Custodian. These agreements set forth the duties and responsibilities of the Advisor, Administrator, and the Custodian, respectively.

Advisor

Subject to the supervision of the Board, the Advisor is responsible for selecting investments for the Texas FIT Pools under its Investment Policy Statement, which is incorporated into this document by reference. The Advisor shall also be responsible for selecting the broker-dealers that execute transactions on behalf of the Texas FIT Pools. In addition, the Advisor may engage in marketing activities to promote participation of the Texas FIT Pools. The Advisor's fees are set forth in the Investment Advisory Agreement between the Trust and the Advisor.

Administrator

The Administrator provides various operational services to the Trust, including the daily valuation of the Pools. In addition, the Administrator is responsible for performing certain other administrative functions on behalf of the Board. These functions include maintaining Participant account records, processing Participant purchase and redemption requests, and answering Participant questions regarding account balances. The Administrator also maintains the financial books and records of the Trust, which includes such activities as paying expenses of the Trust and Pools, including the Texas FIT Pools, and reconciling the Pools records with those of the Custodian. The Administrator's fees are outlined in the Administration Agreement between the Trust and the Administrator. In addition, pursuant to Section 218.409(2) of the Texas Statutes, the Administrator is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the Texas FIT Pools are protected from loss, theft, or misuse. The Administrator shall establish a system of internal controls that shall be documented in writing. The internal controls shall be reviewed by the Board of Trustees, where applicable, and with the independent auditor. The controls shall be designed to prevent the loss of public funds arising from fraud, employee error, misrepresentation by third parties, or negligent actions by employees and officers of the Administrator.

Custodian

The Custodian is, among other things, responsible for the receipt and safekeeping of all cash, securities or other assets comprising the cooperatively invested assets. Such assets are held for the benefit of the Texas FIT Pools in the name of the Custodian or its nominee. The Custodian also collects the income on investments and allocates it in accordance with the instructions from the Administrator. The Custodian is required to hold the investments of the Texas FIT Choice Pool separate and apart from other property of the Custodian and assure that such property is never deemed an asset or liability of the Custodian.



www.tx-fit.com

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September 30, 2025

Financial Statement Disclosure

With the requirements under Government Accounting Standards Board (GASB) Statement No. 79 related to Certain External Investment Pools and Pool Participants, the following is Texas Fixed Income Trust's ("TX-FIT" or "Trust") interpretation of participant disclosure responsibilities related to participation in the TX-FIT pools and our responsibilities to provide participants with the information needed to prepare your disclosure. The Trust recommends that each participant consult their accounting/auditing experts for additional information regarding your specific financial reporting requirements.

In summary, the following outlines the regulatory guidelines related to reporting:

GASB 79 paragraph 4 states the following: If an external investment pool meets the criteria of GASB 79 paragraph 4 and measures all of its investments at amortized cost, the pool's participants also should measure their investment in the investment pool at amortized costs for financial reporting purposes. If an external investment pool does not meet the criteria in paragraph 4, then the pool's participants should measure their investment in the pool at fair value as provided in paragraph 11 of GASB Statement No. 31 as amended.

GASB 31 paragraph 11 states the following: For investment positions in external investment pools that are not SEC-registered, whether or not sponsored by a governmental entity, fair value should be determined by the fair value per share of the pool's underlying portfolio, unless the pool is a **2a7-like pool**. Any legally binding guarantees provided or obtained by the pool sponsor to support share value should be considered in determining the fair value of the participants' investments and should be evaluated in light of the creditworthiness of the sponsor. If a governmental entity cannot obtain information from a pool sponsor to allow it to determine the fair value of its investment, it should make its best estimate of the fair value of that investment and make the disclosures required by paragraph 15e.

Financial Statement Disclosures for September 30, 2025

The TX-FIT investments in each of the pools within the Trust are measured and reported at fair market value using the guidelines established by Generally Accepted Accounting Principles (GAAP). The Trust follows Financial Accounting Standards Board (FASB) Accounting Standards Topic (ASC) 820 *Fair Value Measurement and Disclosure* for financial reporting purposes. ASC 820 defines fair value, establishes a single framework for measuring fair value, and requires disclosures about fair value measurement. **TX-FIT does not meet all of the specific criteria outlined in GASB 79 paragraph 4, therefore TX-FIT participants should measure their investments in TX-FIT pools at fair value as provided in paragraph 11 of GASB Statement 31.**

Credit Quality Disclosure:

The TX-FIT Pools are currently rated by Fitch Ratings. The TX-FIT Cash Pool is currently rated AAAsf/S1. The TX-FIT Government Pool is currently rated AAAsmmf. The TX-FIT Choice Pool is currently rated AAAsf.

Interest Rate Risk Disclosure:

As of September 30, 2025, the dollar weighted average days to maturity (WAM) for the TX-FIT Cash Pool was 71 days. The weighted average life (WAL) was 234 days.

As of September 30, 2025, the dollar weighted average days to maturity (WAM) for the TX-FIT Government Pool was 18 days. The weighted average life (WAL) was 80 days.

As of September 30, 2025, the dollar weighted average days to maturity (WAM) for the TX-FIT Choice Pool was 127 days. The weighted average life (WAL) was 127 days.



Investment Policy Statement

U.S. FIXED INCOME TRUST

Investment Policy Statement · Texas Fixed Income Pools · August, 2025

This Investment Policy (the “Policy”) is adopted by the Board of Trustees of U.S. Fixed Income Trust (“US FIT”), a Delaware statutory trust that currently offers two series designated for Texas participants referred to as Texas Fixed Income Trust (“Texas Pools, Texas Fixed Income Trust, Texas- FIT or TX-FIT”), each a public funds investment pool established and created pursuant to Chapter 2256 of the Texas Government Code, as amended, and the Trust Agreement dated March 1, 2019, as amended (the “Trust Agreement”). For each Texas Pool as defined in the Trust Agreement, The Bank of New York Mellon Corporation serves as Custodian (the “Custodian”), Trailmark Fund Solutions serves as the Administrator (the “Administrator”), and Wertz York Capital Management Group, LLC (d/b/a Deep Blue Investment Advisors) serves as the investment adviser (the “Advisor”). This policy incorporates by reference the disclosure in the Trust’s Information Statement, which is available at www.tx-fit.com under the document section. All investments made under this Policy will meet the standard of care required by Section 2256.006 of the Public Funds Investment Act (the “Investment Act”), as described herein. These investments will be governed by the following investment objectives, in order of priority: Preservation and safety of principal, Liquidity, and Yield.

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ARTICLE I. PURPOSE

Section 1.01. Purpose

This Policy, with respect to investments of the Texas Pools, has been adopted to establish the principles and criteria by which the funds of the Texas Pools should be invested and secured and to comply with the provisions of the Trust Agreement and with various provisions of Texas law relating to the investment and security of funds of public funds investment pools. As of the date of the adoption of this Policy, the following laws are applicable

to the investment of Texas Pools' funds: Chapter 2256, Texas Government Code; Chapter 791, Texas Government Code; Chapter 2257, Texas Government Code; and Chapter 404.101 et seq., Texas Government Code (the "Investment Laws"). The Investment Laws generally provide the minimum criteria for the authorized investment and security of funds of the Texas Pools and require the Texas Pools to adopt rules to ensure the investment of the funds is done in accordance with such laws. This Policy will specify the scope of authority of the Texas Pools Officials who are responsible for the investment of the funds. For more information on Trust's structure and its service providers, please see the Trust's Information Statement, which is available at www.tx-fit.com.

Section 1.02. Policy Application to Sub-Accounts and Additional Pools or Portfolios

This Policy shall apply to all sub-accounts of the Texas Pools, including the Texas Fixed Income Trust Cash Pool ("TX-FIT Cash Pool"), and Texas Fixed Income Trust Government Pool ("TX-FIT Govt Pool"), and any other sub-accounts that are invested and managed separately from the Texas Pools, whether such sub-accounts contain one or multiple Participants. This Policy shall also apply to any additional Texas-related pools or portfolios established pursuant to the Trust Agreement. Except for their differences in investment strategies, the basic terms and conditions are the same for each Texas Pool.

ARTICLE II. DEFINITIONS

Section 2.01. Definitions

Unless the context requires otherwise, the following terms and phrases used in this Policy shall mean the following:

- a) The term "Authorized Collateral" means any means or method of securing the deposit of funds of the Texas Pools authorized by Chapter 2257, Texas Government Code.
- b) The term "Authorized Investment" means any security which a Texas Pool is authorized to invest in under Chapter 2256, Texas Government Code.
- c) The term "Board" means the Board of Trustees of the US FIT.
- d) The term "Advisory Board" means the Advisory Board of the Texas Pools.
- e) The term "Member" means a person elected or appointed to serve on the Advisory Board of the Texas Pools.

- f) The term “Collateral” means any means or method of securing the deposit of funds of the Texas Pools under Article V hereof.
- g) The term “Collateral Act” means Chapter 2257, Texas Government Code, as amended from time to time.
- h) The term “Trustee” means a person elected or appointed to serve on the US FIT Board.
- i) The term “Employee” means any person employed by the Texas Pools, but does not include independent contractors or professionals hired by US FIT or the Texas Pools as outside consultants, such as legal counsel, the Program Administrator, or the Custodian.
- j) The term “Investment Act” means Chapter 2256, Texas Government Code, as amended from time to time.
- k) The term “Investment Officer” means the Member designated by the Trust Agreement to invest and reinvest the funds of the Texas Pools held in its various accounts.
- l) The term “Participants” includes any municipality, county, school district or authority created under Section 52(b)(1) or (2), Article III or Section 59, Article XVI, Texas Constitution, a fresh water supply district, a hospital district and any political subdivision, authority, public corporation, body politic, or instrumentality of the State of Texas, any office, department, commission, board, or other agency that is part of any branch of State government, an institution of higher education, and any nonprofit corporation acting on behalf of any of those entities that has taken the actions required by Section 2256.016 of the Investment Act and that has executed a participation certificate, confirming their eligibility to participate in the Texas Pools.
- m) The term “Texas Pools”, for purposes of this Policy, means all pools or portfolios established pursuant to the Trust Indenture that are available to Participants in the State of Texas.
- n) The term “Texas Pools Officials” means the Investment Officer, Trustees, officers, employees, and persons and business entities engaged in handling the investment of funds of the Texas Pools, including, without limitation, the Program Administrator and the Custodian.

ARTICLE III. INVESTMENT OFFICER

Section 3.01. Investment Officer

The Trust Agreement designates the Chairman of the Advisory Board, ex officio, or in the absence of the Chairman, the Vice Chairman of the Advisory Board, if any, to serve as Investment Officer to handle the investment of funds of the Texas Pools. The Investment Officer shall be responsible for investing funds of the Texas Pools in accordance with this Policy. The Investment Officer shall invest funds of the Texas Pools, not for speculation, but for investment, considering the probable safety of capital and the probable income to be derived, with all investment decisions to be governed by the following objectives in order of priority: (a) preservation and safety of principal; (b) liquidity; and (c) yield.

Section 3.02. Training

The Investment Officer shall complete all training sessions that may be required by law relating to his or her responsibilities under the Investment Act as the Investment Officer for the Participant.

Section 3.03. Reporting by the Program Administrator

Not less than quarterly and within a reasonable time after the end of the period reported, the Investment Officer and the Texas Pools Officials shall cause the Program Administrator to prepare and submit to the Board a written report of the investment transactions for all funds of the Texas Pools for the preceding reporting period. The report must (1) describe in detail the investment positions of the Texas Pools on the date of the report, (2) be signed by the Program Administrator, (3) state the book value and the market value of each separately invested asset at the beginning and end of the reporting period by the type of asset and fund type invested and by pool or portfolio, (4) state the maturity date of each separately invested asset that has a maturity date, and (5) state the compliance of each investment portfolio as they relate to this Policy and the Investment Act.

Section 3.04. Assistance with Certain Duties of the Investment Officer

The Board hereby authorizes and directs the Program Administrator and any other Texas Pools Officials requested by the Investment Officer to assist the Investment Officer with any of his duties, including but not limited to the following:

1. Presenting a copy of the Policy to any person or business organization seeking to sell an investment to a Texas Pool, and obtaining the necessary written certification from such seller referred to in Section 4.03;

2. Handling investment transactions;
3. Preparing and submitting to the Board the written report of all investment transactions for the Texas Pools, as required by this Article;
4. Researching investment options and opportunities;
5. Obtaining written depository pledge agreements as required herein;
6. Obtaining safekeeping receipts from the Texas financial institution which serves as a depository for pledged Collateral; and
7. Reviewing the market value of investments of the Texas Pools, including each pool or portfolio established pursuant to the Trust Agreement and of the Collateral pledged to secure funds of the Texas Pools.

ARTICLE IV. PROCEDURES FOR INVESTMENT OF THE TEXAS POOLS FUNDS

Section 4.01. Qualified Broker-Dealers

Under Section 2256.025 of the Investment Act, “the governing body of an entity subject to this subchapter or the designated investment committee of the entity shall, at least annually, review, revise, and adopt a list of qualified brokers that are authorized to engage in investment transactions with the entity.” The list of qualified broker-dealers with whom the Texas Pools may engage in investment transactions is listed in The Qualified Broker/Dealer List attached to this Policy as Exhibit B. The Board will annually review this list and revise it as needed. The Board may amend the Qualified Broker-Dealer List to the Policy at any time and may do so separately from or as a part of an amendment to this Policy.

Section 4.02. Disclosures of Relationships with Entities Offering to Enter into Investment Transactions with the Texas Pools

The Investment Officer and the Texas Pools Officials shall disclose in writing (a) any “personal business relationship” with a business organization offering to engage in an investment transaction with the Texas Pools, and (b) any relationship within the second degree by affinity or consanguinity, as determined by Chapter 573, Texas Government Code, to any

individual seeking to sell an investment to the Texas Pools, as required by the Investment Act. The existence of a “personal business relationship” shall be determined in accordance with the Investment Act. Such disclosure statement shall be filed with the Board and the Texas Ethics Commission.

Section 4.03. Certifications from Sellers of Investments

The Investment Officer or Texas Pools Officials shall present this Policy to any person or business organization offering to engage in an investment transaction with the Texas Pools and obtain the certificate that such potential seller has reviewed the Policy as provided in the Investment Act. This certificate shall be in a form acceptable to the Texas Pools and shall state that the potential seller has received and reviewed the Policy and has acknowledged that the potential seller has implemented reasonable procedures and controls in an effort to preclude investment transactions with the Texas Pools that are not authorized by this Policy, except to the extent that this authorization is dependent on an analysis of the makeup of the entire portfolios of the Texas Pools or requires an interpretation of subjective investment standards. Neither the Investment Officer nor Texas Pools Officials shall purchase or make any investment from a potential seller that has not delivered to the Texas Pools this required certification. A form of certificate acceptable to the Texas Pools is attached hereto as Exhibit A.

Section 4.04. Solicitation of Bids for Certificates of Deposit

Bids for certificates of deposit may be solicited orally, in writing, electronically or in any combination of those methods.

Section 4.05. Settlement Basis

All purchases of investments, except investment in mutual funds, shall be made on a delivery versus payment basis. The safekeeping entity for all the Texas Pools investments and for all Collateral pledged to secure funds of the Texas Pools shall be one approved by the Investment Officer or the Program Administrator.

Section 4.06. Monitoring of the Market Value of Investments and Collateral

The Program Administrator, on behalf of the Investment Officer, with the help of such Texas Pools Officials as needed, shall determine the market value of each investment and of all Collateral pledged to secure deposits of funds of Texas Pools at the times required and in the manner provided in the Trust Agreement and the Investment Act.

ARTICLE V. PROVISIONS APPLICABLE TO ALL TEXAS POOLS

Section 5.01. Provisions Applicable to All Pools

- A. All funds of the Texas Pools shall be invested only in accordance with this Policy and shall comply with any additional requirements imposed by the Trust Agreement or by resolutions of the Board and applicable state law or federal tax law, including the Investment Laws.
- B. The Program Administrator may withdraw or transfer funds from and to the accounts of the Texas Pools only in compliance with this Policy.

Section 5.02. Policy of Securing Deposits of Funds of the Texas Pools -- Applicable to All Deposited Funds of the Texas Pools

Each Texas Pool recognizes that insurance from the Federal Deposit Insurance Corporation ("FDIC") (or its successor) is available for each Participant's funds deposited at any financial institution (including branch banks), through each Texas Pool only up to a maximum set by the FDIC (currently \$250,000 including accrued interest) for each of the following: (i) demand deposits, (ii) time and savings deposits, and (iii) deposits made pursuant to an indenture or pursuant to law in order to pay bondholders or noteholders. It is the policy of the Texas Pools that all deposited funds that are not held at the Texas Pools' custodian shall be insured by the FDIC, or its successor, and to the extent not insured, shall be secured by one of the following options: Collateral pledged on uninsured funds on a look-through basis to the extent of the fair market value of the principal amount deposited plus accrued interest as required by the Collateral Act; third- party insurance that is intended to protect uninsured balances; or a reciprocal deposit relationship in which each of the balances allocated to each participant are fully insured through such a program.

A. Security of Funds beyond FDIC Insurance Limits

- (1) If it is necessary for depositories of the Texas Pools to pledge Collateral to secure the Texas Pools' deposits, then (1) the Collateral pledge agreement must be in writing, (2) the Collateral pledge agreement must be approved by the depository's board of directors or loan committee, (3) the depository's approval of the Collateral pledge agreement must be reflected in the minutes of the meeting of the depository's board or loan committee approving same, and (4) the Collateral pledge agreement must be kept in the official records of the depository. The depository must provide the Investment Officer or Texas Pools Officials with written proof of the depository's approval of the pledge agreement as required herein in a form acceptable to Texas

Pools. A signed or certified copy of the minutes of the meeting of the depository's board or loan committee reflecting the approval of the Collateral pledge agreement or other written documentation of such approval acceptable to the Investment Officer will be accepted.

- (2) If the Texas Pools rely on third-party insurance or a reciprocal deposit relationship to secure the Texas Pools' deposits, then the agreement permitting the insurance or reciprocal deposit relationship must be in writing and maintained by the depository, which must provide the Investment Officer or Texas Pools Officials with written proof of the written agreement.
- (3) The Board prefers all requirements of this section be met prior to the deposit of any funds of Texas Pools in such financial institution when such methods of securing funds is needed; however, the Board recognizes that compliance with this preference might not be practicable due to time constraints for making a deposit. In such event, the Board directs the Investment Officer and Texas Pools Officials to proceed diligently to have such agreement approved and documented to assure protection of funds of Texas Pools. If the decision is made to forego the protection with any depository, the Program Administrator shall be responsible for maintaining the balance of deposit(s) in such depository plus any accrued but unpaid interest at or below FDIC insurance levels.
- (4) It is expected that the Texas Pools will place monies into deposits at banks ("Pool Banks") that in turn will seek to fully insure your allocable portion of such deposits through an FDIC-insured bank network. Through the bank network, your portion of such deposits may be placed at other FDIC-insured banks ("Network Banks") in increments of less than the FDIC insurance limit per bank of \$250,000. The \$250,000 limit includes your principal and accrued interest, when aggregated with all other deposits held by you directly, or through others, in the same recognized legal category of ownership at the same Pool Bank or Network Bank. Since the Pool, the Pool Banks, the Network Banks and their service providers are unaware whether you have any money on deposit in a Pool Bank or Network Bank outside of the pool, that money will not be considered when your funds are allocated by a Pool Bank to a particular Network Bank or to itself for FDIC insurance reasons. Therefore, you are responsible for monitoring the list of Pool Banks and Network Banks that hold your deposits through the Pool and for notifying the Pool Advisor to exclude any particular Pool Banks or Network Banks from receiving your funds.

Your monthly account statement will reflect all deposits, withdrawals, name of each Pool Bank and Network Bank that holds your funds, deposit balance(s) and interest rate. You may also contact the Pool Advisor to obtain the most recent list of Pool Banks

and Network Banks so that you can proactively opt-out of having specific banks receive your funds going forward.”

- B. Collateral pledged by a depository shall be held in safekeeping at an independent third-party institution, and the Program Administrator shall obtain safe-keeping receipts from the financial institution or the safekeeping institution that reflect that Collateral as allowed by this Policy and in the amount required was pledged to a Texas Pool. Principal and accrued interest on deposits in a financial institution shall not exceed the FDIC’s, or its successor’s, insurance limits, the market value of the Collateral pledged as security for a Texas Pool’s deposits, third-party insurance that is intended to protect uninsured balances; or a reciprocal deposit relationship in which each of the balances allocated to each participant are fully insured through such a program, or any combination of the above options. It shall be acceptable for the Program Administrator to periodically receive interest on deposits to be deposited to the credit of the Texas Pool if needed to keep the amount of the funds under the insurance or Collateral limits. It is the preference of this Board that there be no sharing or splitting of Collateral with other secured parties or entities; however, in the event that a depository cannot accommodate this preference due to the denominations of the securities to be pledged, the Board directs the Investment Officer and the Texas Pools Officials to obtain appropriate protections in the pledge agreement with the depository to assure that the Collateral is liquidated and the funds distributed appropriately to all parties with a security interest in such Collateral. The Program Administrator shall monitor: the pledged Collateral to assure that it is pledged only to the applicable Texas Pool, review the fair market value of the Collateral, third-party insurance; or a reciprocal deposit relationship to ensure that the Texas Pool’s funds are fully secured, and report periodically to the Investment Officer and the Board regarding the security of the funds.
- C. The Texas Pools’ funds deposited in any Texas financial institution, to the extent that they are not insured, may be secured in any manner authorized by applicable law as currently written or as amended in the future.

Section 5.03. Diversification

Each Texas Pool that is rated by a Nationally Recognized Statistical Rating Organization (NRSRO) shall always diversify its assets in such a way as to maintain a AAA rating status with at least one NRSRO. The diversification criteria set by the rating organization shall be reviewed with the Advisory Board at least annually. The diversification criteria and the diversification of a Texas Pool’s assets shall always comply with the Investment Act, Chapter 2256, Texas Government Code or its successor statute. If a Texas Pool is unrated, then the Program Administrator will determine the appropriate level of diversification.

ARTICLE VI. AUTHORIZED INVESTMENT CATEGORIES

Each of the TX-FIT Pools has a unique investment strategy and different permissible investments as enumerated below in Article VII. The following investment categories are authorized by this policy subject to the terms and limitations of the respective investment strategy, including the investments identified as permissible, for each Pool.

Investment Category	Description
Bankers' Acceptances	(Section 2256.012 of the Investment Act). - Policy Guidelines: Up to 35% of the Pool's assets may be invested in banks with not less than an equivalent rating of either A1 or P1 by at least one (1) Nationally Recognized Statistical Rating Organizations (NRSRO). - Maturity Limits: The maximum final stated maturity of this type of security may not exceed 270 days.
Bank Deposits	Bank deposits that are insured or guaranteed pursuant to Section 2256.009(7) of the Texas Government Code, may invest in brokered deposits as defined by Section 2256.009(8) of the Texas Government Code, as amended. Policy Guidelines: Up to 100% of the Pool's assets may be invested in bank deposits described above if these deposits are insured or guaranteed by either the FDIC or the National Credit Union Share Deposit Fund, or are otherwise secured by one of
	the following options: Collateral pledged on uninsured funds on a look-through basis to the extent of the fair market value of the principal amount deposited plus accrued interest as required by the Collateral Act; third-party insurance that is intended to protect uninsured balances; or a reciprocal deposit relationship in which each of the balances allocated to each participant are fully insured through such a program. Maturity Limits: Not applicable.

Bonds Issued, Assumed, or Guaranteed by the State of Israel	(Section 2256.009(a)(6) of the Investment Act). • Policy Guidelines: Up to 10% of the Pool's assets may be invested in bonds or securities assumed or guaranteed by the State of Israel. • Maturity Limits: The maximum stated final maturity of these securities may not exceed five (5) years.
Certificates of Deposit	(Section 2256.010 of the Investment Act). Certificates of deposit or share certificates if the certificate is issued by a depository institution that has its main office or a branch office in this state. • Policy Guidelines: Up to 75% of the Pool's assets may be invested in certificates of deposit. The certificates must be guaranteed or insured by the FDIC or its successor or the National Credit Union Share Insurance Fund or its successor; secured by obligations that are described by Section 225609(a) of Chapter 2256 of the Texas Government Code, as amended, including mortgage-backed securities directly issued by a federal agency or instrumentality that have a market value of not less than the principal amount of the certificates, but excluding those mortgage backed securities of the nature described by Section 2256.009(b) of the Texas Government Code, as amended; or secured in any other manner and amount provided by law for deposit are authorized if the funds are invested by an investing entity through a broker that has it main office or a branch office in Texas and is selected from a list adopted by the investing entity, or a depository institution that has it main office or a branch office in Texas and that is selected by the investing entity, the broker or depository institution selected by the investing entity under above arranges for the deposit of the funds in certificates of deposit in one or more federally insured depository institutions, wherever located, for the account of the investing entity, the full amount of the principal and accrued interest of each of the certificates of deposit is insured by the United States or an instrumentality of the United States, and the investing entity appoints the depository institution selected by the investing entity under

	above, an entity described by Section 2257.041(d) or a clearing broker-dealer registered with the Securities and Exchange Commission ("SEC") and operating pursuant to SEC Rules 15c3-3 (17 C.F.W. Section 240.15c3-3) as custodian for the investing entity with respect to the certificates of deposit issued for the account of the investing entity. • Maturity Limits: The maximum final stated maturity of a security may be two (2) years.
Commercial Paper	(Section 2256.003 of the Investment Act). • Policy Guidelines: Up to 90% of the Pool's assets may be invested in commercial paper that is rated F1 or equivalent by at least two (2) Nationally Recognized Statistical Rating Organizations (NRSROs) or rated not less than F1 or an equivalent by one (1) of the NRSROs, plus fully secured by an irrevocable letter of credit issued by a domestic bank. No more than 35% of the Pool's assets shall be invested in commercial paper of any one industry, except that the 35% limitation shall not apply to commercial paper of banking and financial institutions. • Maturity Limits: The maximum final stated maturity of a security may not exceed 365 days.
US Municipal Government Securities	• Obligations of states, agencies, counties, cities, and other political subdivisions of any state rated by a Nationally Recognized Statistical Rating Organization (NRSRO) rated not less than A or its equivalent. • Maturity Limits: Not applicable.

No-Load Money Market Mutual Funds	(Section 2256.014 of the Investment Act). • Policy Guidelines: Up to 75% of the Pool's assets may be invested in money market mutual funds with no more than 10% concentration risk in the money market mutual fund. The fund must be rated AAmmf or equivalent by at least one of the Nationally Recognized Statistical Rating Organizations (NRSROs). The fund must be registered with and regulated by the SEC and provide a prospectus and other information required by the Securities Exchange Act of 1934 (the "1934 Act") or the Investment Company act of 1940 (the "1940 Act"), each as amended. It must include in its objectives the maintenance of a stable net asset value of \$1.00 per share. • Maturity Limits: The fund must have a dollar weighted average maturity of 60 days or less for TX-FIT Govt Pool and 90 days or less for TX-FIT Cash Pool.
No-Load Mutual Funds	(Section 2256.014 of the Investment Act).
	• Policy Guidelines: Up to 25% of the Pool's assets may be invested in registered investment companies with no more than 10% concentration risk in any Registered Investment Company (RIC). • The no-load mutual fund must meet the following criteria: (1) Is registered with the Securities and Exchange Commission; (2) Has an average weighted maturity of less than two years; and (3) Either (A) has a duration of one (1) year or more and is invested exclusively in obligations approved by this subchapter; or (B) has a duration of less than one (1) year and the investment portfolio is limited to investment grade securities, excluding asset-backed securities. • Maturity Limits: The fund must have a dollar weighted average maturity of two (2) years or less.

Other Government Securities	(Section 2256.009 of the Investment Act). Other government obligations, the principal and interest of which are unconditionally guaranteed or insured by or backed by the full faith and credit of the State of Texas, the United States or their respective agencies and instrumentalities, including obligations that are fully guaranteed or insured by the FDIC or by the explicit full faith and credit of the United States. • Policy Guidelines: Up to 50% of the Pool's assets may be invested in obligations of the described above. These obligations must be either rated A or better by at least Nationally Recognized Statistical Rating Organization (NRSRO) or insured by the FDIC.
Repurchase Agreements	(Section 2256.011 of the Investment Act). • Policy Guidelines: No more than 40% of the portfolio of the Pool shall be invested in term repurchase agreements and no more than 5% of the portfolio of the Pool may be invested in term repurchase agreements with maturities exceeding 90 days.
	Repurchase agreements must be fully collateralized (102%) as described in the Investment Act by (1) obligations of the United States or its agencies and instrumentalities, (2) commercial paper, or (3) corporate bonds or any other government securities, each in accordance with the provisions of the Public Securities Association Master Agreement on file with the Program Administrator pertaining to repurchase agreement operating procedures. • Maturity Limits: Only 5% of the portfolio assets may exceed 90-day term for repurchase agreements. The remaining 35% of the portfolio assets may only be invested in repurchase agreements no longer than a 90-day term.

Securities Lending Program	(Section 2256.0115). A securities lending program where: (1) The value of securities loaned under the program is not less than 100 percent collateralized, including accrued income; (2) A loan made under the program allows for termination at any time; (3) A loan made under the program is secured by: (A) Pledged securities described by Section 2256.009 of the Investment Act; (B) Pledged irrevocable letters of credit issued by a bank that is: (i) organized and existing under the laws of the United States or any other state; and (ii) continuously rated by at least one nationally recognized investment rating firm at not less than A or its equivalent; or (C) Cash invested in: a. Obligations, including letters of credit of the United States or its agencies and instrumentalities; b. Direct obligations of this state or its agencies and instrumentalities; c. Collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States; d. Other obligations, the principal and interest of which are unconditionally guaranteed or insured by, or backed by the full faith and credit of this state or the United States or their respective agencies and instrumentalities; e. Obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized
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	investment rating firm not less than A or its equivalent; f. Bonds issued, assumed, or guaranteed by the State of Israel; g. Commercial Paper; and h. Permitted Mutual Funds; (4) The terms of a loan made under the program must require that the securities being held as collateral be: (A) pledged to the investing entity; (B) held in the investing entity's name; and (C) deposited at the time the investment is made with the entity or with a third party selected by or approved by the investing entity; (5) A loan made under the program must be placed through: (A) a primary government securities dealer, as defined by 5 C.F.R. Section 6801.102(f), as that regulation existed on September 1, 2003; or (B) a financial institution doing business in Texas; and (6) An agreement to lend securities must have a term of one (1) year or less.
US Government Securities	(Section 2256.009 of the Investment Act). Obligations, including letters of credit of the United States or its agencies and instrumentalities. • Policy Guidelines: Up to 100% of the Pool's assets may be invested in government obligations of the United States, its agencies or instrumentalities. • Maturity Limits: Not applicable.

ARTICLE VII. INVESTMENT STRATEGIES

Section 7.01. General Investment Information

The general investment strategy for Texas Pools shall be to invest all monies to accomplish the following objectives, which are listed in the order of importance:

1. Understanding of the suitability of the investment to the financial requirements of the Participants in Texas Pools;
2. Preservation and safety of principal;

3. Liquidity;
4. Marketability of the investment if the need arises to liquidate the investment before maturity;
5. Diversification of the investment portfolio; and
6. Yield.

All monies shall be invested to meet the cash flow requirement of Texas Pools as determined by the needs of the Participants, state statutes, NRSRO guidelines, and at the discretion of the Advisor.

Section 7.02. Texas Fixed Income Trust Government Pool (the “TX-FIT Govt Pool”)

Pool Description:

The TX-FIT Govt Pool may consist of short-term investments and money market alternatives that are backed or collateralized with U.S. Treasury or U.S. Government Agency obligations that are authorized under this policy (Section 6.04) and in accordance with Chapter 2256 of the Texas Government Code. The Pool is a stable net asset value portfolio which is managed to \$1.00 per share and provides participants with same day liquidity.

Investment Objective:

To provide current income consistent with safety of principal and liquidity. While no assurance can be given that the portfolio will achieve its objectives, the Advisor will endeavor to do so by following the procedures described in the investment policy statement.

WAM-WAL Target Range:

The WAM target range is as follows: The WAM will have a target range of 30-55 days, with a maximum of 60 days in accordance with NRSRO guidelines and any further restrictions from Chapter 2256 of the Texas Government Code. Existing NRSRO guidelines restrict WAM/WAL to 60 and 120 days, respectively.

Permissible Investments:

- Bank Deposits
- Bonds Issued, Assumed, or Guaranteed by the State of Israel
- Certificates of Deposit
- No-Load Money Market Mutual Funds
- Repurchase Agreements
- US Government Securities

- Other Government Securities
- Other US State Government Securities
- Any other investments meeting state and NRSRO guidelines

Section 7.03. Texas Fixed Income Trust Cash Pool (the “TX-FIT Cash Pool”)

Pool Description:

The TX-FIT Cash Pool may consist of investments and money market alternatives in accordance with Article VI of this policy and Chapter 2256 of the Texas Government Code. The securities are carefully selected through a rigorous investment underwriting approach utilizing a robust credit review process. The Pool is a floating net asset value portfolio which is managed to \$1.00 per share and provides participants with same day liquidity. The Pool is liquid and strives to maintain a duration and credit profile consistent with the portfolio’s investment objectives as deemed appropriate by the Advisor.

Investment Objective:

To provide current income consistent with safety of principal and liquidity. While no assurance can be given that the portfolio will achieve its objectives, the Advisor will endeavor to do so by following the procedures described in the investment policy statement.

WAM-WAL Target Range:

The WAM will have a target of 60-130 days and will not exceed the triple-A guidelines of a Nationally Recognized Statistical Rating Organization (NRSRO). The WAL will typically have a target range of 85-180 days. Floatingrate maturities can move the WAM < WAL. The portfolio’s WAM and WAL are variable and may extend or shorten as deemed appropriate by the Advisor, up to any limits set forth by Texas Government Code, or NRSRO guidelines.

Permissible Investments:

- Bankers’ Acceptances
- Bonds Issued, Assumed, or Guaranteed by the State of Israel
- Certificates of Deposit
- Commercial Paper
- No-Load Money Market Mutual Funds
- No-Load Mutual Funds
- Repurchase Agreements
- Securities Lending Program

- US Government Securities
- Other Government Securities
- Other US State Government Securities
- Any other investments meeting state and NRSRO guidelines

The following other requirements shall also be met:

- a. No investments shall be made in securities denominated in a currency other than dollars of the United States of America.
- b. The weighted average maturity of the fund will not exceed the guidelines (if applicable) of the triple-A guidelines of an NRSRO.
- c. Variable rate instruments issued by United States agencies or instrumentalities with final maturities of greater than 397 days are allowed if the rate resets at least annually and is calculated with reference to a single, established money market index and the instrument can reasonably be expected to reset to or maintain its par value at all reset dates.

Section 7.04. Prohibited Investments

Notwithstanding anything to the contrary stated herein, no funds of Texas Pools may be invested in the following or in any other type of investment prohibited by the Investment Act or other applicable law:

- a. Obligations whose payment represents the coupon payments on the outstanding principal balance of the underlying mortgage-backed security collateral and pays no principal (IOs);
- b. Obligations whose payment represents the principal stream of cash flow from the underlying mortgage-backed security collateral and bears no interest (POs);
- c. Collateralized mortgage obligations that have a stated final maturity date of greater than 10 years; and
- d. Collateralized mortgage obligations, the interest rate of which are determined by an index that adjusts opposite to the changes in the market index (inverse floaters);
- e. TX-FIT Govt Pool only: monies shall not be invested for longer than 397 days for fixed-rate, non-certificates of deposit ("CDs") and 762 days for floating-rate securities.

ARTICLE VIII. INVESTING IN THE TRUST

Section 8.01. How to Open an Account

Any municipality, county, school district, or authority created under Section 52(b)(1) or (2) Article III or Section 59, Article XVI, Texas Constitution, a fresh water supply district, a hospital district and any political subdivision, authority, public corporation, body politic, or instrumentality of the State of Texas, any office, department, commission, board, or other agency that is part of any branch of state government, institution of higher education, and any nonprofit corporation acting on behalf of any of those entities that has taken action required by Section 2256.016 of the Act (“Public Entity”) may invest in the Texas Pools.

To invest in the Texas Pools, the Trust receives a certification from the Public Entity stating that it is permitted to invest in the investment pool. To obtain information on how to become a Participant in TX-FIT, please contact the Advisor at (888) 909-9998.

Upon receipt and acceptance of such forms and any other necessary documents, the Public Entity will be a Participant of a Texas Pool and may make its initial investment of funds.

Section 8.02. Purchases, Redemptions, Distributions, and Reports

Information on the Trust’s policies related to the purchase and redemption of interests in the Texas Pools, the distribution of income, and the delivery of reports to Participants in the Texas Pools can be found in the Trust’s Information Statement, which is incorporated by reference into this document and is available at www.tx-fit.com.

ARTICLE IX. MISCELLANEOUS

Section 9.01. Annual Review

The Advisory Board and Board of Trustees shall review this Policy at least annually and adopt a resolution confirming the continuance of the Policy without amendment or adopt an Amended Policy. Additionally, per Section 2256.005(m) of the Investment Act, in conjunction with a Texas Pools annual financial audit, the Trust will conduct a compliance audit of management controls on investments and adherence to the established investment policies.

Section 9.02. Superseding Clause

This Policy supersedes any prior policies adopted by the Board regarding investment in the Texas Pools.

Section 9.03. Advisory Board

Pursuant to Section 2256.016(g)(2), the Board has appointed an Advisory Board composed of Participants and other persons who do not have a business relationship with the Trust but are qualified to advise the Trust. The Advisory Board provides advice to the Board and the Advisor about the Investment Policy and Investment Strategy of the Portfolios and about other matters as requested by the Board and the Advisor. The current list of Advisory Board members is available at www.tx-fit.com.

Exhibit A

TEXAS CERTIFICATE OF COMPLIANCE FROM SELLERS OF INVESTMENTS AS REQUIRED BY THE PUBLIC FUNDS INVESTMENT ACT

To: U.S. Fixed Income Trust, a public funds series trust with multiple investment pools in the state of Texas ("Texas Pools")

From: _____

[Name of the person offering the

[Office of such person]

holds or a "qualified representative of the business organization" offering to engage in an investment transaction with Texas Pools]

of _____ (the "Business Organization")

[name of financial institution, business organization or investment pool]

Date: _____

In accordance with the provisions of Chapter 2256 of the Texas Government Code, I hereby certify that:

1. I am an individual offering to enter into an investment transaction with Texas Pools or any of its subaccounts, pools or portfolios, including TX-FIT Cash Pool, and TX-FIT Govt Pool (referred to herein collectively as “Texas Pools”), or I am a “qualified representative” of the Business Organization offering to enter an investment transaction with Texas Pools, as applicable, as such terms are used in the Public Funds Investment Act, Chapter 2256, Texas Government Code, and that I meet all requirements under such act to sign this Certificate.
2. I or the Business Organization, as applicable, anticipate selling to Texas Pools investments that comply with Texas Pools’ Investment Policy and the Investment Act (collectively referred to herein as the “Investments”), as amended and effective as of the date hereof. (the “Investment Policy”).
3. I or a registered investment professional that services Texas Pools’ account, as applicable, have/has received and reviewed the Investment Policy, which Texas Pools has represented is the complete Investment Policy of Texas Pools now in full force and effect. Texas Pools has further acknowledged that I or the Business Organization, as applicable, may rely upon the Investment Policy until Texas Pools provides me or the Business Organization, as applicable, with any amendments to or any newly adopted form of the Investment Policy.
4. I or the Business Organization, as applicable, have/has implemented reasonable procedures and controls to preclude investment transactions between Texas Pools and me or the Business Organization, as applicable, that are not authorized by the Investment Policy, except to the extent that this authorization is dependent upon an analysis of Texas Pools’ entire portfolio or requires an interpretation of subjective investment standards.
5. I or the Business Organization, as applicable, have/has reviewed or will review prior to sale, the terms, conditions and characteristics of the investments to be sold to Texas Pools and determined (i) that each of the Investments is an authorized investment for local governments under the Investment Act and (ii) each of the Investments is an authorized investment under the Investment Policy. The Business Organization makes no representation as to whether any limits on the amount of Texas Pools’ monies to be invested in the Investments exceeds or in any way violates the Investment Policy.
6. The Business Organization makes no representations or guarantees regarding the prudence, reasonableness or adequacy of the Investment Policy.
7. The Business Organization has attached hereto, for return to Texas Pools, or will provide a prospectus or disclosure document for each of the Investments other than certificates of deposit and direct obligations of the United States.

By: _____

Name: _____

Title: _____

Investments, other than certificates of deposit, are not FDIC insured, are not deposits or other obligations of me, the Business Organization or any of its affiliates, and are subject to investment risks, including possible loss of the principal amount invested.

Return Receipt Acknowledged on _____, 202__.

By: _____

Title: _____

Exhibit B

QUALIFIED BROKER/DEALER LIST

A list of the qualified brokers and dealers with whom Texas Pools may engage in investment transactions is available from the Advisor or Pool Administrator and such list is approved periodically by resolution of the Board of Trustees. The current list detailed below is the most recently approved list and includes firm and relationship representatives, but transactions may occur with the firm and/or its designated representative.

1. Bank of America, 1111 Ave of the Americas, New York, NY 10036
2. Blaylock Van, 901 E Byrd St, Richmond, VA 23219
3. BTIG, 34 Broad St 3rd Floor, Red Bank, NJ 07701
4. BNY Capital Markets, 20 Court St, Freehold, NJ 07728
5. Cabrera Capital Markets, 20 Court St, Freehold, NJ 07728
6. Cantor Fitzgerald, 6410 Poplar Ave, Suite 700, Memphis, TN 38119
7. Capital Inst Services (CAPIS), 1700 Pacific Ave, Suite 1100, Dallas, TX 75201
8. CIBC, 300 Madison Ave, New York, NY 10017
9. Citigroup, 390 Greenwich St, New York, NY 10013
10. Duncan Williams, 6750 Poplar Ave, Memphis, TN 38138
11. Fifth Third Securities, 201 E. Kennedy Blvd, Suite 1800, Tampa, FL 33602
12. FHN Financial, 1691 Michigan Ave, Suite 210, Miami Beach, FL 33139
13. Goldman Sachs, 200 West St, New York, NY 10282
14. Hilltop Securities, 485 Madison Ave Ste 1800, New York, NY 10022

15. ICAP NA, 200 Vesey St, New York, NY 10281
16. InspereX, 200 S Wacker Dr, Suite 3700, Chicago, IL 60606
17. JPMorgan, 383 Madison Ave, New York, NY 10179
18. Middlegate Securities, 8 W 40th St, New York, NY 10018
19. Mizuho Securities, 1271 Avenue of The Americas, New York, NY 10020
20. Morgan Stanley, 233 S Wacker Dr, Chicago, IL 60606
21. MUFG Securities Americas, 1221 Ave of The Americas, New York, NY 10020
22. Oppenheimer & Co., 4855 Technology Way, Suite 400, Boca Raton, FL 33431
23. Piper Sandler, 444 W Lake St, 33rd Floor, Chicago, IL 60606
24. Raymond James & Assoc., 880 Carillon Pkwy, St. Petersburg, FL 33716
25. RBC Capital Mkts, 3 World Financial Ctr, 200 Vesey St, New York, NY 10281
26. Seelaus & Co., 26 Main St, Chatham, NJ 07928
27. Siebert Williams, 100 Wall St, 18th Floor, New York, NY 10005
28. Signature Securities Corp., 9 Greenway Plz, Suite 3120, Houston, TX 77046
29. Stifel, Nicolaus & Co., 1393 Veterans Memorial Hwy, Suite 214N, Hauppauge, NY 11788
30. StoneX Financial, 230 Park Ave, New York, NY 10169
31. Truist, 3353 Peachtree Rd Ne, 9th Floor, Atlanta, GA 30326
32. Tigress, 410 Park Ave, New York, NY 10022
33. Wells Fargo Securities, 13625 California St, 2nd Floor, Omaha, NE 68154

Texas Fixed Income Trust Government Pool

Key Rating Drivers

Portfolio: The Texas Fixed Income Trust Government Pool was established and created pursuant to Chapters 2256, 791, 2257 and 404.101 of the Texas Government Code to provide local and state governmental entities with access to diversified, high credit quality strategies for their cash reserves. See the chart at the bottom right for a recent breakout of the portfolio's asset allocation.

Maturity: The portfolio seeks to limit interest rate and spread risk by maintaining a weighted average maturity and a weighted average life below 60 days and 120 days, respectively, consistent with Fitch's 'AAAmf' criteria.

Investor Base/Liquidity Management: The pool comprises moneys deposited by Texas local government entities. The investment portfolio is structured to provide sufficient liquidity to pay expected redemptions. The pool invests at least 10% of total assets in securities offering daily liquidity and at least 30% of total assets in securities providing weekly liquidity. The portfolio is managed to a stable net asset value (NAV) rounded to \$1.00 and provides same-day liquidity for participants.

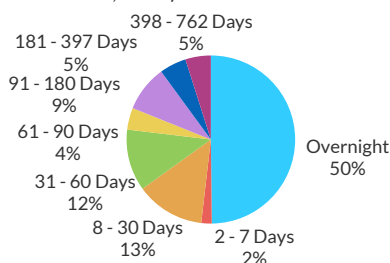
Investment Advisor: Deep Blue Investment Advisors (Deep Blue) serves as investment advisor to the pool. Deep Blue is a registered investment advisor that was founded in 2000 as Wertz York Capital Management Group, LLC. The firm specializes in treasury management consulting services, fixed-income investment advisory and consulting services to governmental clients. The firm is also the investment manager to the US Fixed Income Trust (US-FIT), which includes all pools in the Texas Fixed Income Trust (TX-FIT).

Oversight: The pool's oversight includes the US-FIT board of trustees, the TX-FIT advisory board and the US-FIT chief compliance officer.

Rating Rationale: The Texas Fixed Income Trust Government Pool is rated 'AAAmf' by Fitch Ratings. The assigned 'AAAmf' rating indicates an extremely strong capacity to achieve the investment objectives of preserving principal and providing liquidity through limiting credit, market and liquidity risk. Fitch's evaluation of the portfolio also considered the management and operational capabilities of Deep Blue and the legal and regulatory framework under which the portfolio operates.

Texas Fixed Income Trust Government Pool

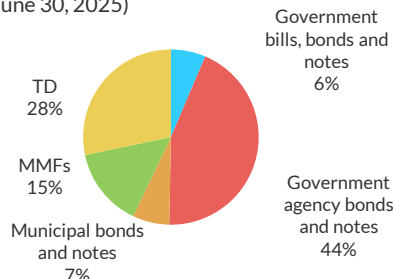
Maturity Distribution
(As of June 30, 2025)



Source: Deep Blue Investment Advisors

Texas Fixed Income Trust Government Pool

Asset Allocation
(As of June 30, 2025)



Source: Deep Blue Investment Advisors

Pool Characteristics

Data as of:	June 30, 2025
Fund Rating	AAAmf
Assets (\$ Mil.)	503.8
Weighted Average Maturity (Days)	27
Weighted Average Life (Days)	63
Investment Advisor	Deep Blue Investment Advisors
Objective	The portfolio is designed for cash reserves from authorized Texas local governmental entities with an objective to preserve capital, maintain adequate liquidity and provide a high level of current income.
Inception Date	January 2020.

Source: Fitch Ratings, Deep Blue Investment Advisors

Applicable Criteria

Money Market Fund Rating Criteria (July 2024)

Analysts

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SOLICITATION & PARTICIPATION STATUS

For information on the solicitation status of the ratings included within this report, please refer to the solicitation status shown in the relevant entity's summary page of the Fitch Ratings website.

For information on the participation status in the rating process of an issuer listed in this report, please refer to the most recent rating action commentary for the relevant issuer, available on the Fitch Ratings website.

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AGENDA MEMORANDUM

DATE: February 17, 2026

TO: Honorable City Council Members

FROM: Jennifer Calvert, Finance Director

THROUGH: Sandra Gibson, City Manager

SUBJECT: Discuss and consider action on approval of a resolution to accept the Annual Audit and Single Audit for the period October 1, 2024 - September 30, 2025.

BACKGROUND/INFORMATION:

As required by City of Watauga Charter 9.06 (C) the City designates qualified public accountants who, at the end of the fiscal year, conduct an independent audit of accounts. For the period ending September 30, 2025, Weaver, LLP, a firm of licensed public accountants, audited the City's financial statements.

On February 24, 2026, Weaver presented the audit results to the City's Audit Committee consisting of Mayor Arthur Miner, Council Member Jan Hill, and Council Member Patrick Shelbourne. Also present were the staff members of the Committee, which included Sandra Gibson, City Manager, Jennifer Calvert, Finance Director, and Kimberly Rupkalvis, Assistant Finance Director.

In the meeting, Weaver presented the City of Watauga's financial position, with respect to fiscal highlights, net position, and ending fund balance. Weaver conducted the audit in accordance with both auditing standards and accounting principles generally accepted in the United States of America and Uniform Guidance. In summary, Weaver found the City of Watauga's financial statements for the fiscal year ending September 30, 2025 present fairly, in all material respects, without any material misstatement. In addition, this is the sixth year a single audit was conducted for federal and state grant funds, which included the ARPA SLFRF funds. Weaver has found the City in compliance with all grant requirements.

The City received an unmodified ("clean") opinion on both reports. This is the highest level of opinion auditors are allowed to give. Jackie Gonzalez, Senior partner at Weaver, LLP, will present a summary of the findings and a copy of the final report is attached for reference.

FINANCIAL IMPLICATIONS:

N/A



AGENDA MEMORANDUM

RECOMMENDATION/ACTION DESIRED:

Staff recommends the Council approve the resolution to accept the financial audit results for the period of October 1, 2024 to September 30, 2025

ATTACHMENTS/ SUPPORTING DOCUMENTATION:

1. Resolution accepting Audit and Single Audit 2025
2. City of Watauga Draft 2.27.2026

REVIEWED BY:

Sandra Gibson, City Manager

Linda Proskey, City Secretary

Approved as to form for inclusion on Agenda

Approved - 3/2/2026

Final Approval - 3/2/2026

CITY OF WATAUGA, TEXAS
RESOLUTION NO. 2026-_____

A RESOLUTION BY THE CITY COUNCIL OF THE CITY OF WATAUGA, TEXAS PROVIDING FOR ACCEPTANCE OF THE REPORT FROM THE INDEPENDENT AUDITOR AND THE AUDITED FINANCIAL STATEMENTS, AND THE SINGLE AUDIT REPORT FOR THE FISCAL YEAR ENDING SEPTEMBER 30, 2025; PROVIDING FOR REPEAL; PROVIDING FOR SEVERABILITY; AND PROVIDING AN EFFECTIVE DATE.

WHEREAS, the City of Watauga Charter, Section 9.06(c) requires an independent audit be completed annually; and

WHEREAS, the City has completed the annual audit of the City's financial statements and the single audit report for the fiscal year ending September 30, 2025; and,

WHEREAS, the City Council of Watauga, Texas has received the report from the City's Independent audit firm, Weaver, L.L.P.; and,

WHEREAS, the City Council of the City of Watauga has reviewed and voted to accept the report as written,

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF WATAUGA, TEXAS AS FOLLOWS:

I.

That the findings above are found to be true and correct, and are incorporated herein.

II.

That the City Council does hereby accept the report of the independent auditor and the audited financial statements and the single audit report for the fiscal year ending September 30, 2025, as presented.

III.

This Resolution shall be and is hereby cumulative of all other Resolutions of the City of Watauga, Texas, and this Resolution shall not operate to repeal or affect any such other Resolutions except insofar as the provisions thereof might be inconsistent or in conflict with the provisions of this Resolution, in which event, such conflicting provisions, if any, in such other Resolutions are hereby repealed.

IV.

If any section, sub-section, sentence, clause, or phrase of this Resolution shall for any reason be held to be invalid, such decision shall not affect the validity of the remaining portions of the Resolution.

V.

This Resolution shall become effective and shall be in full force and effect from and after the date of passage and adoption by the City Council of the City of Watauga, Texas, and upon application of law and in accordance with Section 3.13 of the Charter of the City of Watauga, Texas.

PASSED AND ADOPTED by the City Council of the City of Watauga, Texas this 9th day of March, 2026.

APPROVED:

ARTHUR L. MINER, MAYOR

ATTEST:

LINDA PROSKEY, CITY SECRETARY

APPROVED AS TO FORM AND LEGALITY:

DAVID BERMAN, CITY ATTORNEY

CITY OF WATAUGA ANNUAL COMPREHENSIVE FINANCIAL REPORT



FISCAL YEAR ENDING
SEPTEMBER 30, 2025

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City of Watauga, Texas

Annual Comprehensive Financial Report

**For the Fiscal Year Ended
September 30, 2025**

**Prepared By
The City of Watauga
Finance Department**

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City of Watauga, Texas
Annual Comprehensive Financial Report
For the Fiscal Year Ended September 30, 2025
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City of Watauga, Texas
Annual Comprehensive Financial Report
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Introductory Section

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March 9 , 2026

**TO: Honorable Mayor Arthur L. Miner and
Members of the City Council
Citizens of the City of Watauga, Texas**

The City Manager's Office and Finance Department are pleased to submit the Annual Comprehensive Financial Report (ACFR) for the fiscal year ending September 30, 2025. We encourage review and discussion of the information presented.

Audit and Reporting Requirements

In accordance with City Charter Section 9.06(C) and bond covenants, the City Council is required to obtain an independent audit each fiscal year:

“At the close of each fiscal year, and at such time as it may be deemed necessary, the Council shall cause an independent audit to be made of all accounts of the City by a certified public accountant...”

Financial statements are prepared in conformity with Generally Accepted Accounting Principles (GAAP) and audited in accordance with generally accepted auditing standards. The City is responsible for the accuracy and completeness of this report.

Independent Audit

Weaver and Tidwell, L.L.P. conducted the audit. The objective was to provide reasonable assurance that the financial statements are free of material misstatement. The audit included:

Examining evidence supporting amounts and disclosures
Assessing accounting principles and management estimates
Evaluating overall financial statement presentation

The independent auditors issued an unmodified (“clean”) opinion for the fiscal year ended September 30, 2025, that statements are fairly presented in conformity with GAAP. The independent auditor's report is located at the front of the financial section of this report. The City's Audit Committee, a subcommittee of the City Council, reviews all recommendations made by the independent auditors.

Management Discussion & Analysis

Management's discussion and analysis (MD&A) is presented after the independent auditor's report and provides a narrative analysis of the basic financial statements. This transmittal letter complements the MD&A and should be read in conjunction with it.

The City is not financially accountable for Birdville and the Keller Independent School Districts (ISDs), therefore, financial data for the school districts are not included in this report.

Profile of the City of Watauga, Texas

Watauga is in Tarrant County, approximately 10 miles northeast of Fort Worth and 25 miles northwest of Dallas with a corporate area of 4 square miles, a 2020 Census population of 23,650 and January 2025 estimate (North Central Texas Council of Governments) of 23,806. The City is approximately 96% built out.

Form of Government

Watauga Adopted a Home Rule Charter January 19, 1980 and operates under a Council-Manager form of government. While the City Manager oversees daily operations, the eight-member Governing Body (including the Mayor) adopts ordinances and policies, approves the budget, and appoints key officials.

Services Provided

Major services under general government and enterprise functions include:

- Police and fire protection,
- Emergency ambulance service,
- Street and drainage improvements,
- Developmental services,
- Water and sewer services,
- Library services,
- Park and recreational activities, and
- General administrative services.

Solid waste and recycling services are provided through franchise agreements.

Accounting and Budgetary Controls

The City's accounting records for general government operations are maintained on a modified accrual basis where revenues are recorded when available and measurable and expenditures are recorded when the services or goods are received, and the liabilities are incurred. Accounting records for the City's proprietary activities are maintained on an accrual basis.

As of September 30, 2025, there are 34 total funds and 17 funds reported after combining smaller funds. Note 1 provides detailed fund descriptions.

Internal Controls

Management maintains a comprehensive internal control framework designed to safeguard assets from loss, prevent misuse, reduce the risk of theft, and ensure reliable financial reporting.

Internal controls provide reasonable assurance, not absolute assurance. Management asserts the financial report is complete and reliable in all material respects.

Budget Process

The Charter requires:

- Proposed budget submitted by August 1
- Adoption by September 15

The budget process, using fund accounting, includes:

- Revenue and expenditure projections
- 5-Year Capital Improvement Plan (CIP) review
- Adjustments to ensure a balanced budget

Throughout the year Council and staff monitor the financial performance with the City Manager being able to authorize the transfer of appropriations within departments and interdepartmental transfers done upon approval of Council via ordinance. Financial reports are provided to Council Monthly

Economic Outlook and Financial Condition

Regional Economy

In 2025, the Dallas–Fort Worth region (The Metroplex) added 234,125 people for a population over 8.3 million. Unemployment remained steady near 4.1–4.2% with slower job growth (.3% vs. 1.0% prior year), according to the Federal Reserve Bank of Dallas as shown in the chart below.

DFW economy dashboard (August 2025)			
Job growth (annualized) May–Aug. '25	Unemployment rate	Avg. hourly earnings	Avg. hourly earnings growth y/y
0.3%	4.1%	\$36.39	4.2%
The Dallas–Fort Worth economy expanded in August. Employment growth was strong, while unemployment increased sharply. Hourly earnings were flat but remained higher than figures for the state and nation and above year-ago levels. DFW sales tax collections held steady. Home sales fell, while apartment rents were flat.			

The Metroplex has a Gross Domestic Product of \$767 billion. There are 21 Fortune 500 companies and four major corporate headquarters in the Metroplex. College enrollment is over 385,000.

Major economic drivers include Dallas–Fort Worth International Airport (50th anniversary in 2024), which supports 684,000 jobs and contributes over \$18 billion to the economy (SOURCE: DFW website www.dfwairport.com Fast Facts.)

Alliance Texas Development is a 27,000-acre master-planned community home to 590+ companies and 66,000+ jobs (SOURCE: www.alliancetexas.com, Alliance Texas Facts.)

Local Financial Condition

FY2025 Highlights include a certified taxable value of \$2.53 billion (up 7.3% over prior year), sales tax receipts: \$7.76 million (and increase of approximately \$85,000 or 1.1%)

Development completed in 2024-2025 include: Bursey Townhomes development (61 single family homes) and Hightower Estates (66 single family homes).

Additional commercial developments are under construction.

Outlook

Through December 2025, sales taxes increased by .38% compared to the prior year and property valuations increased approximately 1.3%. New residential development includes 260 homes with an estimated \$600,000 in property tax revenue over several years.

Strategic Initiatives adopted by Council focus on:

- Maintaining financial strength
- Sustainable economic development efforts
- Strengthen long-range planning

New development in Watauga is expected to be minimal, and the city has entered a phase where revenue growth will be slow, while requests for services and infrastructure replacement for streets and utility needs will increase. The near build-out status of the city requires a strategic approach to attracting new development and revitalization. Strategic initiatives adopted by the Council include maintaining the financial strength of the City, developing a sustainable economic development effort through business retention and attraction efforts, and strengthening future planning.

Long-Term Financial Planning

The City Council has adopted a series of financial standards and policies for operating and debt management. Leadership has made every effort to comply with these standards and policies including a fund balance at or above the minimum 25% of the General Fund expenditure budget (currently 42%) .

Long-term financial planning tools include:

- 5-year Capital Improvement Plan for current and future infrastructure projects.
- 5-year Capital Outlay Plan for major equipment, vehicles, and technology purchases
- 5 -year Personnel Enhancement Plan
- 5-year Financial Forecast
- Succession Plan

Long-term planning has provided for major infrastructure upgrades, park enhancements, capital purchases, and personnel while considering the full impact to the operating budget and tax implications.

Standard & Poor's Rating Services, a subsidiary of the McGraw-Hill Companies, Inc. rates the City's general obligation debt at AA. Moody's Investor Service, Inc. rates the general obligation debt at Aa3. Additional information about the rating agencies or the significance of the ratings provided may be obtained from each agency's web site.

Major Initiatives

The city continues to focus on maintaining and upgrading infrastructure. These include:

- Whitley Road, Phase 5
- Hightower Road
- Watauga Road
- Water and wastewater improvement projects.

The Parks Master Plan focuses on improving park amenities, trails, and facilities.

Projects funded by the Economic Development Corporation include the design and construction of a food truck park, to spur economic development and entrepreneurship in the city.

Awards and Recognition.

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Watauga, for the 37th year, for the fiscal year ended September 30, 2024. This recognizes conformance with the highest standard for preparation of state and local government financial reports. This report must satisfy both generally accepted accounting principles and applicable legal requirements and be reader friendly and efficiently organized.

For the 36th year, the City of Watauga also received the GFOA's Distinguished Budget Presentation Award for the budget document for the fiscal year ended September 1, 2025. The budget document was deemed proficient as a policy document, a financial plan, an operations guide, and a communications device.

Closing

We thank the City Council for its continued leadership and support and recognize the dedication of City employees whose work ensures responsible financial management and completion of this report. We wish to express our appreciation to each City employee for his or her loyalty and dedication, as demonstrated during this past fiscal year.

Respectfully submitted,

Sandra Gibson
City Manager

Jennifer Calvert
Director of Finance

City of Watauga, Texas

Principal Officials

As of September 30, 2025

<u>Elected Officials</u>	<u>Position</u>	<u>Term Expires</u>
Arthur L. Miner	Mayor	2028
Patrick Shelbourne	Council Member Place 1	2026
Cris Blackburn	Mayor Pro Tem/ Council Member Place 2	2026
Lovie Downey	Council Member Place 3	2028
Andrew Neal	Council Member Place 4	2028
Malissa Minucci	Council Member Place 5	2028
Mark Taylor	Council Member Place 6	2026
Jan Hill	Council Member Place 7	2026

<u>Appointed Officials</u>	<u>Position</u>
Sandra Gibson	City Manager
David Berman	City Attorney
Linda Proskey	City Secretary
Jennifer Calvert	Director of Finance
Jim Lewis	Police Chief
Randy Barkley	Fire Chief
Paul Hackleman	Public Works Director
Julie Rodriguez	Director of Human Resources & Civil Service
Lana Ewell	Library Director
Timothy Hamilton	Parks and Community Services Director



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**City of Watauga
Texas**

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

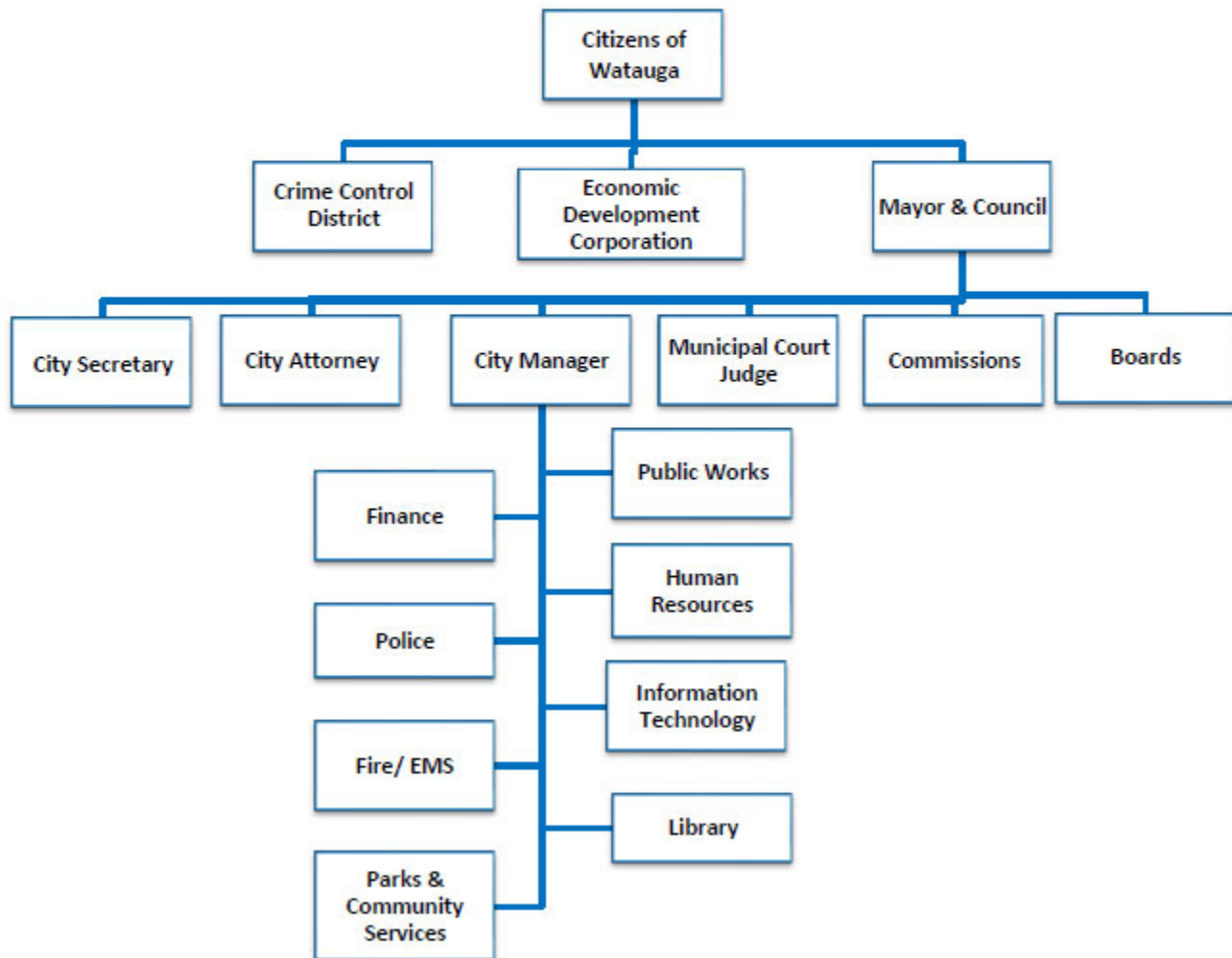
September 30, 2024

Christopher P. Morrell

Executive Director/CEO

Organizational Chart

City of Watauga



Financial Section

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Independent Auditor's Report

To the Honorable Mayor and
Members of City Council
City of Watauga, Texas

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Watauga, Texas (the "City"), as of and for the year ended September 30, 2025, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of September 30, 2025, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

The City's management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, Texas Municipal Retirement System pension schedules, Texas Municipal Retirement System OPEB schedule, and budgetary comparison information be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

The Honorable Mayor and
Members of City Council
City of Watauga, Texas

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual nonmajor fund financial statements and schedule of expenditures of federal awards, as required by *Title 2 U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the other supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information Included in the Annual Comprehensive Financial Report (ACFR)

Management is responsible for the other information included in the ACFR. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March xx, 2026 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

(Firm Name)

Fort Worth, Texas
March xx, 2026

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CITY OF WATAUGA, TEXAS

MANAGEMENT’S DISCUSSION AND ANALYSIS

For the Year Ended September 30, 2025

On behalf of City Council, the City of Watauga leadership provides this narrative overview and analysis of the financial activities and financial position of the city for the fiscal year (FY) ended September 30, 2025. The financial well-being of the City of Watauga is reflected in both the strength of its underlying tax base and the disciplined stewardship of public resources by its elected and appointed leadership. Sustained property value growth, stable sales tax performance, and conservative revenue forecasting continue to support the City’s financial position.

Financial reporting focuses on financial position and changes in financial position from year to year. Are revenues and/or expenditures higher or lower than the previous year? Have net position or fund balances of the government been maintained?

Revenues for governmental activities (not including water/sewer or transfers) in FY 2025 total \$29.9 million compared to \$26.8 million in FY 2024.

Expenditures on governmental activities increased to \$26.3 million in 2025 compared to \$24.8 million in 2024.

For fiscal year 2025, the City experienced an increase in total net position of \$6,151,612, reflecting positive operational results in both governmental and business-type activities, as shown below.

Condensed Statement of Net Position

	Governmental Activities		Business-type Activities		Total	
	2025	2024	2025	2024	2025	2024
Total net position	<u>\$ 62,646,760</u>	<u>\$ 58,082,760</u>	<u>\$ 40,746,945</u>	<u>\$ 39,159,333</u>	<u>\$ 103,393,705</u>	<u>\$ 97,242,093</u>

Governmental funds ended the year with a combined fund balance of \$44,322.863, including \$9,409,816 in unassigned/unrestricted fund balance available to address future needs and contingencies. These results demonstrate the City’s commitment to maintaining adequate reserves while meeting service demands.

In addition, the City’s investment in capital assets increased to \$105,052,678 (net of depreciation), as shown below, driven by continued progress on major infrastructure projects, including street rehabilitation and water and wastewater system improvements. These investments support long-term service delivery and economic stability while preserving the City’s infrastructure for future generations.

Schedule of Capital Assets (Net of Accumulated Depreciation/Amortization)

	Governmental Activities		Business-type Activities		Total	
	2025	2024	2025	2024	2025	2024
Total capital assets	<u>\$62,949,144</u>	<u>\$ 59,008,106</u>	<u>\$42,103,534</u>	<u>\$ 42,615,064</u>	<u>\$105,052,678</u>	<u>\$101,623,170</u>

Collectively, these indicators reflect a balanced financial strategy—one that prioritizes operational stability, responsible debt management, and strategic capital investment to ensure the City remains financially sound not only for the current fiscal year, but well into the future.

Readers should consider the information presented in this document in conjunction with the Letter of Transmittal and the Statistical Section which can be found on pages v-ix and pages 96-116 of this report respectively. Also, you may review additional information on the annual budget and other community facts and figures on the City's website at www.cowtx.org. Please note that the auditor's association with the various sections of this report is found in the Report of Independent Auditors. All the additional information from the website and other City sources is unaudited.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis serve as an introduction to the City of Watauga's basic financial statements. The City's basic financial statements are comprised of three components:

- 1) government-wide financial statements,
- 2) fund financial statements, and
- 3) notes to the financial statements.

This report also contains other supplementary information.

Government-wide Financial Statements – The government-wide financial statements provide a comprehensive overview of the City of Watauga's overall financial position and operations, presented in a manner like a private-sector business.

The *Statement of Net Position* reports all assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference reflected as net position. Changes in net position over time serve as a key indicator of whether the City's financial condition is improving or declining. As mentioned previously, For fiscal year 2025, the City experienced an increase in total net position of \$6,151,612.

The *Statement of Activities* illustrates how net position changed during the fiscal year. Revenues and expenses are recognized when the underlying event occurs, regardless of when cash is received or paid. As a result, this statement includes items that will impact cash flows in future periods, such as uncollected taxes and earned but unused compensated absences.

Both government-wide financial statements distinguish functions of the City of Watauga that are:

- 1) principally supported by taxes and intergovernmental revenues (governmental activities), and
- 2) functions that are intended to recover all or a significant portion of their costs through user fees and charges (proprietary or business-type activities).

The governmental activities of the City include:

- General Government,
- Police,
- Fire/EMS,
- Culture and Recreation, and
- Public Works.

The proprietary or business-type activities of the City include Water/Sewer and Drainage System activities.

The government-wide financial statements include the City of Watauga (the “primary government”), and its component units: the Watauga Economic Development Corporation (WEDC) and the Watauga Crime Control and Prevention District (WCCPD). Although legally separate entities, these organizations are financially accountable to the City and are therefore included in the reporting entity.

The financial activities of these component units are presented using a blended presentation. Separate financial information for each component unit is available from the City upon request.

The government-wide financial statements can be found on pages 21-22 of this report.

Fund Financial Statements – A fund is a grouping of related accounts used to maintain control over resources segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to comply with finance-related legal requirements. All the funds of the City can be divided into three categories: (1) governmental, (2) proprietary, and (3) internal service.

Governmental Funds – Governmental Funds – Governmental funds report substantially the same functions as the governmental activities presented in the government-wide financial statements. However, unlike the government-wide statements, governmental fund statements focus on near-term inflows and outflows of spendable resources and the balances available at year-end. This perspective is useful in evaluating the City’s short-term financing needs and budgetary compliance.

Because governmental fund statements emphasize short-term resources, while government-wide statements present a long-term view, it is helpful to compare the two presentations. Such comparisons provide insight into the long-term effects of current-year financing and spending decisions.

To assist readers, both the Governmental Fund Balance Sheet and the Statement of Revenues, Expenditures, and Changes in Fund Balances include reconciliations to the governmental activities reported in the government-wide financial statements.

The City maintains fifteen (15) governmental funds. The General Fund, Debt Service Fund, Capital Projects Fund, and COVID-19 Grant Fund are reported separately as major funds in the Governmental Fund Balance Sheet and the Statement of Revenues, Expenditures, and Changes in Fund Balances.

The remaining eleven (11) governmental funds are presented in a single aggregated column as non-major funds. The City adopts an annual appropriated budget. For the nine non-major funds for which a budget is adopted, a budgetary comparison schedule for the governmental funds is included to demonstrate compliance with the legally adopted budget.

The basic governmental fund financial statements can be found on pages 25-28 of this report.

Proprietary Funds – The City maintains two major proprietary or enterprise funds. The enterprise funds report the same functions presented as business-type activities in the government-wide financial statements. These funds account for Water/Sewer and Drainage activities. Internal Service Funds are used to accumulate and allocate costs for some equipment replacement. Because these services predominately benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

Proprietary funds provide more detailed information than the government-wide financial statements. The proprietary fund financial statements provide separate information for Water/Sewer and Drainage (major funds). The Internal Service Fund is a single presentation in the proprietary fund financial statements.

The basic proprietary fund financial statements can be found on pages 31-34 of this report.

Notes to the financial statements – The notes provide additional information essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes on the financial statements can be found on pages 35-68 of this report.

Other Information – In addition to the basic financial statements and accompanying notes, this report presents certain required supplementary information concerning the City's progress in funding its obligation to provide pension and other post-employment benefits (OPEB) to its employees. Required Supplementary Information (RSI) can be found on pages 70-75 of this report.

The combining statements referred to earlier in connection with non-major governmental funds and internal service funds are presented immediately following the required supplementary information on pensions. Combined individual fund statements and supporting schedules can be found on pages 78-92 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Total Assets of the City are \$177,755,111 with Capital Assets, net of depreciation, representing 59.1% (\$105,052,678) of the total. Capital assets include land, buildings, improvements, equipment, infrastructure, and construction-in-progress and are not available for future spending. Capital assets are used to provide services to citizens.

As noted earlier, Net Position may serve as a useful indicator of a government's financial position. As of September 30, 2025, the City's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$103,393,705 (Net Position).

At year end, the City's Net Investment in Capital Assets was \$84,673,800. Although the City's investment in its capital assets is reported net of related debt, the resources needed to repay this debt must be provided by other resources, since the capital assets themselves cannot be used to liquidate these liabilities.

Restricted net position is \$6,282,499 or 6.1% of total net position and represents resources that are subject to external restrictions on how they may be used. The remaining balance of total net position is unrestricted (\$12,437,406 or 12.0%) and may be used to meet the government's ongoing obligations to citizens and creditors.

Overall, there was an increase of \$6,151,612 in total net position during the fiscal year because of the City's operations. Governmental activities showed an increase of \$4,564,000, while Business-type activities showed an increase of \$1,587,612 because of the City's operations.

Condensed Statement of Net Position

As of September 30, 2025, the City reports positive balances in all three categories of net position: the primary government, its separate governmental, and business-type activities.

Effective October 1, 2021, the City implemented GASB no. 87. Assets related to this implementation are included in the current and other assets in the table below.

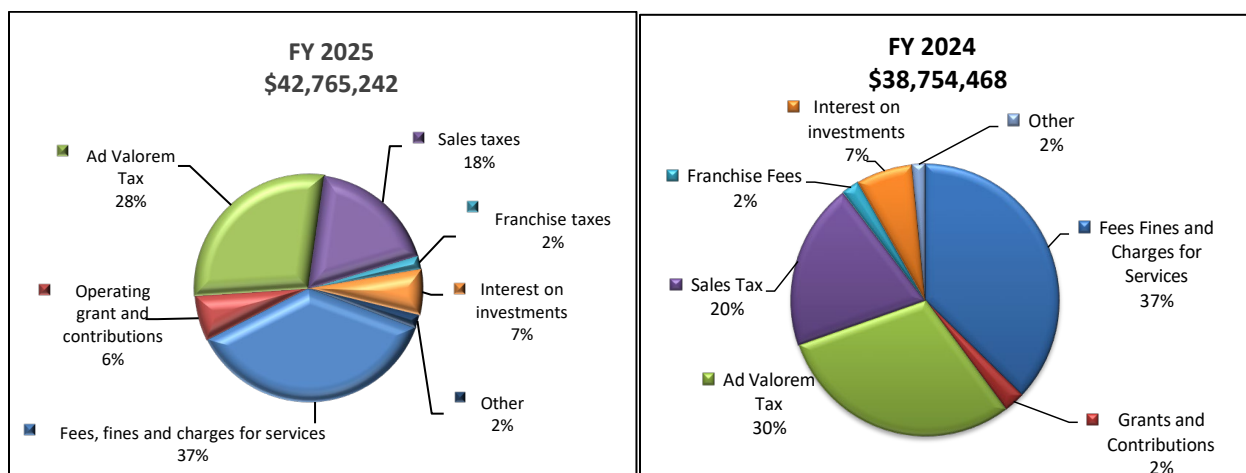
As shown in the table below, the governmental activities had an increase in net position of \$4,564,000 (\$62,646,760 in 2025 and \$58,082,760 in 2024). In FY 2025 revenues were \$29,983,160, an increase of \$3,088,559 over FY 2024. Expenses increased \$1,550,028 to \$26,365,161 in FY 2025.

For business-type activities, net position increased by \$1,587,612 to \$40,746,945. Revenues for the current year are \$12,782,082, up from \$11,859,867. Expenses decreased to \$10,248,469, down from \$10,280,764. This information is shown on the table below.

Condensed Statement of Net Position						
	Governmental Activities		Business-type Activities		Total	
	2025	2024	2025	2024	2025	2024
Current and other assets	\$ 49,555,702	\$ 44,235,778	\$ 23,146,731	\$ 20,445,751	\$ 72,702,433	\$ 64,681,529
Capital assets	62,949,144	59,008,106	42,103,534	42,615,064	105,052,678	101,623,170
Total assets	112,504,846	103,243,884	65,250,265	63,060,815	177,755,111	166,304,699
Deferred outflows of resources	2,417,449	3,890,284	460,467	741,006	2,877,916	4,631,290
Long-term liabilities outstanding	48,054,328	43,508,613	22,361,679	22,668,767	70,416,007	66,177,380
Other liabilities	2,934,470	4,755,682	2,357,015	1,823,794	5,291,485	6,579,476
Total liabilities	50,988,798	48,264,295	24,718,694	24,492,561	75,707,492	72,756,856
Deferred inflows of resources	1,286,737	787,113	245,093	149,927	1,531,830	937,040
Net position:						
Net investment in capital assets	53,573,466	47,627,375	31,100,334	30,263,233	84,673,800	77,890,608
Restricted	6,282,499	6,035,931	-	-	6,282,499	6,035,931
Unrestricted	2,790,795	4,419,454	9,646,611	8,896,100	12,437,406	13,315,554
Total net position	\$ 62,646,760	\$ 58,082,760	\$ 40,746,945	\$ 39,159,333	\$ 103,393,705	\$ 97,242,093

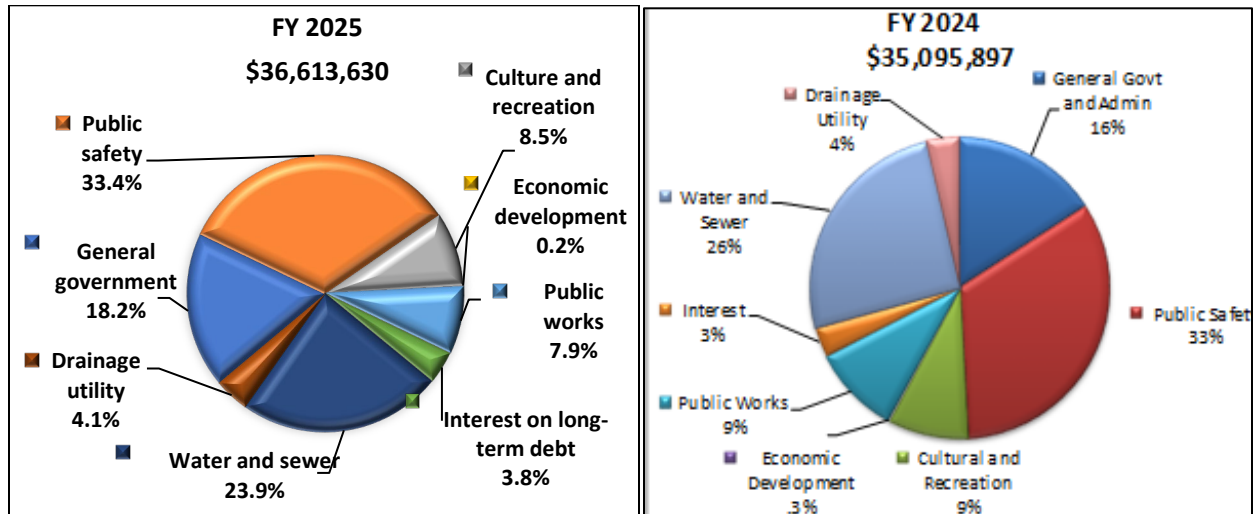
Changes in Net Position - Revenue by Major Category Governmental and Business-Type Activities (excluding transfers)

In FY 2025, revenues city-wide increased by \$4,010,775 to \$42,765,242 from \$38,754,468 FY 2024. The chart below shows the breakdown of revenue by type in FY 2025 compared to FY 2024.



Changes in Net Position - Expense by Major Category Governmental and Business-Type Activities (excluding transfers)

In FY 2025, expenses city-wide increased by \$1,517,733 to \$36,613,000 from \$34,937,853 FY 2024. The chart below shows the breakdown of expenses by type in FY 2025 compared to FY 2024.



Governmental activities – Governmental activities had a total increase in net position of \$4,564,000 or 7.9 % from the prior year. Key elements of activity changes from the prior year are as follows:

- Total revenues increased by \$3.09 million or 11.5% from the prior year. Operating grants increased by \$1,726,065 due to higher grant activity related to the American Rescue Plan Act than the prior year. Property taxes increased \$503,886 due to an increase in assessed property valuations. Sales tax revenues increased 1% compared to the prior year. Fees, fines and charges for service increased by \$685,395 due to development and court activity. Interest income decreased by \$76,457, or 4% due to fluctuations in interest rates.
- Expenses increased by \$1.6 million, or 6.2%, primarily due to changes in personnel costs, filling vacant staff positions, and other operational costs. Culture and recreation expenses increased by \$102,597, or 3.4% due to reinstatement of staffing and programs from prior years. Additionally, Public Safety expenditures increased by \$521,919, or 4.5% due to salary increases and filling vacant positions. Interest on long term debt increased by \$272,983 due to the 2024 debt issuance.

Business-type activities – Business-type activities increased the City's net position by \$1,587,612, or 4.1% from the prior year. Significant changes from the prior year include:

- Increase in total revenues of \$922,215 due to increased water and sewer revenues and an increase in the interest earnings on investments compared to prior year.
- Decrease in total expenses of \$32,295. Water and Sewer decreased by \$265,961 due to decreases in wastewater treatment and other operational costs compared to the prior year. The Drainage utility expenses increased by \$233,666 due to increases in operational expenses.

The following table provides a summary of the City's operations for the year ended September 30, 2025, with comparative totals for year ended September 30, 2024.

Condensed Statement of Change in Net Position

	Governmental Activities		Business-type Activities		Total	
	2025	2024	2025	2024	2025	2024
Revenues						
Program revenues						
Fees, fines and charges for services	\$ 3,939,849	\$ 3,254,454	\$11,904,017	\$11,166,947	\$ 15,843,866	\$14,421,401
Operating grant and contributions	2,714,716	988,651	-	-	2,714,716	988,651
General revenues						
Property Taxes	12,100,466	11,596,580	-	-	12,100,466	11,596,580
Sales taxes	7,758,756	7,684,529	-	-	7,758,756	7,684,529
Franchise taxes	824,333	840,843	-	-	824,333	840,843
Payment in lieu of taxes	561,000	503,000	-	-	561,000	503,000
Penalties and interest	64,170	49,195	-	-	64,170	49,195
Interest on investments	1,850,124	1,926,581	878,065	692,920	2,728,189	2,619,501
Miscellaneous	169,746	50,768	-	-	169,746	50,768
Total revenues	29,983,160	26,894,601	12,782,082	11,859,867	42,765,242	38,754,468
Expenses						
General government	6,660,463	5,554,741	-	-	6,660,463	5,554,741
Public safety	12,217,296	11,695,377	-	-	12,217,296	11,695,377
Culture and recreation	3,123,379	3,020,782	-	-	3,123,379	3,020,782
Economic development	88,892	87,910	-	-	88,892	87,910
Public works	2,878,000	3,332,175	-	-	2,878,000	3,332,175
Interest on long-term debt	1,397,131	1,124,148	-	-	1,397,131	1,124,148
Water and sewer	-	-	8,748,838	9,014,799	8,748,838	9,014,799
Drainage utility	-	-	1,499,631	1,265,965	1,499,631	1,265,965
Total expenses	26,365,161	24,815,133	10,248,469	10,280,764	36,613,630	35,095,897
Increase (decrease) in net position before transfers	3,617,999	2,079,468	2,533,613	1,579,103	6,151,612	3,658,571
Transfers	946,001	679,000	(946,001)	(679,000)	-	-
Increase (decrease) in net position after transfers	4,564,000	2,758,468	1,587,612	900,103	6,151,612	3,658,571
Net position - beginning of year	58,082,760	55,324,292	39,159,333	38,259,230	97,242,093	93,583,522
Net position - end of year	\$62,646,760	\$ 58,082,760	\$40,746,945	\$39,159,333	\$103,393,705	\$97,242,093

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

As previously noted, the City uses fund accounting to comply with finance-related legal requirements.

Governmental Funds – The City's governmental funds report near-term inflows and outflows of expendable resources and the balances available at fiscal year-end. This information assists in assessing the City's short-term financing needs and overall budgetary position.

Unassigned fund balance represents the portion of fund balance available for discretionary spending and may serve as a useful indicator of the City's financial flexibility at year-end.

At the end of the current fiscal year, the City of Watauga's governmental funds reported a combined ending fund balance of \$44,322,863, up \$7,321,947 primarily due to debt issuance in the capital projects fund. Unassigned fund balance is \$9,409,816 or 21.2% of the total governmental fund balance and is available for spending at the government's discretion.

The remainder of fund balance is in the form of:

- 1) non-spendable inventory (\$20,494) and prepaid items (\$16,567),
- 2) restricted for capital acquisitions and contractual obligations (\$28,536,486), retirement of fund indebtedness (\$1,325,603), culture and recreation (\$243,490), economic development (\$3,304,574), public works (\$6,637) and public safety (\$1,459,196).

Highlights include:

- Fund balance for the General Fund (primary operating fund) decreased by \$143,713 to \$9,446,427 over the prior year. This was due to city-wide increases in personnel costs.
- The Debt Service fund balance increased by \$101,899 over the prior year, to \$1,325,603 because of increased property tax receipts.
- The Capital Projects fund experienced an increase of \$7,225,108, which was due to the combined issuance of debt in the amount of \$8.7 million and interest income of \$987,780, which was offset by capital outlay expenditures in the amount of \$3,614,798 million. Fund balance at the end of the year is \$28,490,511.
- The non-major governmental funds showed a combined \$138,653 increase in fund balance from the prior year due to various fund activities. Fund balance increased by \$441,157 in the Watauga Economic Development Corporation Fund due to tax revenues. The Crime Control and Prevention District fund balance decreased by \$311,171 due to increases in personnel costs and capital outlay purchases (vehicles).

Proprietary funds - The City's proprietary fund statements provide the same type of information found in the government-wide financial statements, but in more detail.

The unrestricted net positions of the respective proprietary funds are Water/Sewer at \$4,481,011 and Drainage Utility at \$5,165,600. The proprietary funds had a combined net position increase of \$1,587,612 because of operations. The Water/Sewer fund had an increase in net position of \$1,596,985 while the Drainage Utility Fund had a net position increase of \$30,430 because of operations. The total change in net position of business-type activities is \$1,587,612 after adjustment of internal service fund activities relating to enterprise funds in the amount of (\$39,803).

General Fund Budgetary Highlights – In September 2025, City Council took action to amend the budget based on staff's revised estimates of revenues and expenditures. The budget was amended to include an additional \$85,000 of anticipated building permit revenues. The budget amendment for expenditures included a \$57,000 for fleet maintenance expenses. Actual revenues came in \$146,570 more than the revised budget, and expenditures were \$211,557 less than budget due to salary savings in various general fund departments and general cost savings. The general fund balance decreased from \$9,590,140 to 9,446,427, or 51% of operating expenditures.

CAPITAL ASSETS

The City's investment in capital assets for its governmental and business type activities as of September 30, 2025, amount to \$105,052,678 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, machinery and equipment, infrastructure and construction in progress. The total increase in the City's capital asset investment for the current fiscal year was \$3,429,508, or 3.4%. This was primarily due to substantial progress made on the Whitley Road street project, the completion of several water/sewer projects, and the purchase of various capital outlay items.

Schedule of Capital Assets (Net of Accumulated Depreciation)

	Governmental Activities		Business-type Activities		Total	
	2025	2024	2025	2024	2025	2024
Land	\$ 19,394,600	\$ 19,394,600	\$ 91,000	\$ 91,000	\$ 19,485,600	\$ 19,485,600
Construction in progress	5,688,555	2,716,651	1,396,993	1,053,480	7,085,548	3,770,131
Buildings and Improvements	15,739,310	16,208,136	1,718,091	1,781,766	17,457,401	17,989,902
Right-to-use leased assets	296,639	375,090	7,612	15,224	304,251	390,314
Right-to-use subscription assets	58,848	81,662	-	-	58,848	81,662
Improvements other than buildings	1,272,442	666,955	-	-	1,272,442	666,955
Equipment	8,137,811	6,975,334	1,110,137	1,254,419	9,247,948	8,229,753
Drainage improvements	-	-	9,376,313	9,810,657	9,376,313	9,810,657
Infrastructure	12,360,939	12,589,678	-	-	12,360,939	12,589,678
Waterworks/sanitary sewer system	-	-	28,403,388	28,608,518	28,403,388	28,608,518
Total capital assets	\$ 62,949,144	\$ 59,008,106	\$ 42,103,534	\$ 42,615,064	\$ 105,052,678	\$ 101,623,170

Major capital asset events during the current fiscal year included:

- Projects that were included in Construction in Progress in FY2023-2024 which were completed this year include:
 - Sanitary Sewer Study for \$224,688.
- Prior Year Projects and new projects that increased the Construction in Progress include:
 - The Whitley Road- Phase Five Project increased by \$39,477, bringing the total CIP for the project to \$779,412.
 - The Hightower Road project increased by \$774,836, bringing the total CIP for the project to \$1,567,459.
 - Business Food Truck Park Project CIP increased by \$27,300 to \$70,850.
 - Water/Wastewater projects increased by \$350,047, bringing the total project to \$1,446,837.
 - Park Vista Park project for \$30,778.
 - Park Vista Stormwater Rehabilitation added this year is \$166,825.
 - Tarrant County Street Overlays totaled \$340,278.
 - Ambulance purchase totals \$380,174
- Other projects and equipment purchases that were completed in FY2024-2025 include:
 - Park Vista Stormwater Rehab in the amount of \$623,146
 - Arcadia Trail in the amount of \$259,291
 - Playground equipment at Virgil Anthony Park in the amount of \$46,672
 - PA System for the Recreation Center in the amount of \$36,159
 - CDBG-CV Round 4 in the amount of \$348,090
 - Police Vehicles in the amount of \$366,596
 - Splashpad Filtration in the amount of \$180,402

- Other Vehicles and Equipment in the amount of \$589,004
- Cardiac Monitors for \$197,787
- Building updates for \$176,861

Additional information on the City's capital assets can be found in Note 4 of this report.

DEBT ADMINISTRATION

Long-term debt - At the end of the current fiscal year, the City had bonds and certificates of obligation outstanding of \$55,980,000 million. This entire amount comprises debt backed by the full faith and credit of the government.

Other debt of \$2,723,760 is Compensated Absences for employee earned, but unpaid, vacation and sick leave.

During the current fiscal year, the City's bonds and certificates of obligation increased by \$5,300,000, which was due to an issuance of \$10,225,000 Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2025, offset by regularly scheduled debt service payments.

Standard & Poor's Rating Services, a subsidiary of the McGraw-Hill Companies, Inc. affirmed the City's general obligation debt at AA and revised the outlook from stable to positive. In their 2025 Credit Rating, S&P cited a healthy tax base growth, consistently stable operating performance, and ample reserves. Moody's Investor Service, Inc. rates the general obligation debt at Aa3.

Schedule of Outstanding Debt

	Governmental Activities		Business-type Activities		Total	
	2025	2024	2025	2024	2025	2024
General Obligation Bonds	\$ 115,000	\$ 230,000	\$ 3,305,000	\$ 3,925,000	\$ 3,420,000	\$ 4,155,000
Certificates of Obligation	35,940,000	30,525,000	16,620,000	16,000,000	52,560,000	46,525,000
Tax Notes	-	100,000	-	-	-	100,000
Lease Payable	227,583	317,968	4,487	13,261	232,070	331,229
Subscription Liability	51,833	77,053	-	-	51,833	77,053
Notes Payable	-	2,716	-	-	-	2,716
Arbitrage Liability	531,355	196,076	-	-	531,355	196,076
Compensated Absences	2,536,168	1,726,829	187,592	95,350	2,723,760	1,822,179
Unamortized Bond Premium	1,531,773	1,393,397	888,293	932,380	2,420,066	2,325,777
Total	<u>\$ 40,933,712</u>	<u>\$ 34,569,039</u>	<u>\$ 21,005,372</u>	<u>\$ 20,965,991</u>	<u>\$ 61,939,084</u>	<u>\$ 55,535,030</u>

Additional information on the City's long-term debt can be found in Note 5.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

In Fiscal Year 2026, General Fund revenues are expected to increase approximately 4.4% from the Fiscal Year 2025. The largest revenue increases from increases in ad valorem property tax revenue, fines and forfeitures, and permit revenue. Ad valorem taxes make up 43% of General Fund budgeted revenues. Certified assessed valuations, including estimated values on properties under protest, increased 1.3% for the fiscal year 2026 budget. The ad valorem tax rate for FY2026 remains at \$0.5702/\$100 valuation. Due to the valuation increases, this property tax rate will generate an increase in revenue for the General Fund and Debt Service Fund. Sales tax makes up 26% of the City's general operating revenue. The City has budgeted a conservative 1.5% increase in sales tax for FY2026.

The FY2025-2026 Budget focuses on managing inflationary pressures and remaining competitive in the municipal employment market; thus, operating expenditures are budgeted to increase 6.1%.

Capital projects include improvement of Whitley Road and Hightower road. Various parks projects will continue into 2025-2026. Funded with Certificates of Obligation proceeds, several major water and wastewater system projects continue for the next several years.

The Water and Sewer Operating Fund revenues have historically exceeded expenditures. Fund balance has is projected to decrease slightly from FY2024-2025 to 21% of operating expenditures. The City contracts the City of Fort Worth for wastewater treatment and has an agreement in place with North Richland Hills for wholesale water. Rate increases were implemented in Fiscal Year 2025 to cover the escalating costs of water distribution and wastewater treatment.

REQUEST FOR INFORMATION

The financial report is designed to provide our citizens, customers, investors, and creditors with a general overview of the City's finances. If you have questions about this report or need additional information, contact the Finance Department, Attn: Director of Finance, 7105 Whitley Road, Watauga, Texas 76148, by phone at 817-514-5833, or by email at financedirector@cowtx.org.

Basic Financial Statements

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Government-Wide Financial Statements

City of Watauga, Texas

Statement of Net Position

September 30, 2025

	Primary Government		
	Governmental	Business-Type	
	Activities	Activities	Total
ASSETS			
Cash and cash equivalents	\$ 17,218,889	\$ 7,699,676	\$ 24,918,565
Investments	30,132,847	13,724,027	43,856,874
Receivables, net of allowance for uncollectibles	2,166,905	1,683,437	3,850,342
Inventories	20,494	39,591	60,085
Prepaid items	16,567	-	16,567
Capital assets:			
Land and construction in progress	25,083,155	1,487,993	26,571,148
Other capital assets, net of accumulated depreciation/amortization	37,865,989	40,615,541	78,481,530
Total capital assets	62,949,144	42,103,534	105,052,678
Total assets	112,504,846	65,250,265	177,755,111
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows - OPEB	156,885	29,883	186,768
Deferred outflows - pension	2,260,564	430,584	2,691,148
Total deferred outflows of resources	2,417,449	460,467	2,877,916
LIABILITIES			
Accounts payable	1,218,290	1,085,770	2,304,060
Accrued liabilities	926,718	195,421	1,122,139
Accrued interest	172,016	101,457	273,473
Customer deposits	19,879	974,367	994,246
Unearned revenue	597,567	-	597,567
Long-term liabilities:			
Due within one year	2,928,770	1,579,047	4,507,817
Due in more than one year	38,004,942	19,426,324	57,431,266
Due in more than one year - total OPEB liability	1,022,953	194,848	1,217,801
Due in more than one year - net pension liability	6,097,663	1,161,460	7,259,123
Total liabilities	50,988,798	24,718,694	75,707,492
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows - OPEB	662,904	126,268	789,172
Deferred inflows - pension	623,833	118,825	742,658
Total deferred inflows of resources	1,286,737	245,093	1,531,830
NET POSITION			
Net investment in capital assets	53,573,466	31,100,334	84,673,800
Restricted for:			
Capital improvements	45,975	-	45,975
Debt service	1,222,627	-	1,222,627
Culture and recreation	243,490	-	243,490
Economic development	3,304,574	-	3,304,574
Public works	6,637	-	6,637
Public safety	1,459,196	-	1,459,196
Unrestricted	2,790,795	9,646,611	12,437,406
TOTAL NET POSITION	\$ 62,646,760	\$ 40,746,945	\$ 103,393,705

The Notes to Basic Financial Statements are an integral part of these statements.

City of Watauga, Texas

Statement of Activities

For the Fiscal Year Ended September 30, 2025

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position		
		Fees, Fines and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business- type Activities	Total
Governmental activities:							
General government	\$ 6,660,463	\$ 518,142	\$ -	\$ -	\$ (6,142,321)	\$ -	\$ (6,142,321)
Public safety	12,217,296	1,834,107	-	-	(10,383,189)	-	(10,383,189)
Culture and recreation	3,123,379	443,698	4,459	-	(2,675,222)	-	(2,675,222)
Economic development	88,892	3,138	-	-	(85,754)	-	(85,754)
Public works	2,878,000	1,140,764	2,710,257	-	973,021	-	973,021
Interest on long-term debt	1,397,131	-	-	-	(1,397,131)	-	(1,397,131)
Total governmental activities	26,365,161	3,939,849	2,714,716	-	(19,710,596)	-	(19,710,596)
Business-type activities:							
Water and Sewer	8,748,838	10,405,918	-	-	-	1,657,080	1,657,080
Drainage Utility	1,499,631	1,498,099	-	-	-	(1,532)	(1,532)
Total business-type activities	10,248,469	11,904,017	-	-	-	1,655,548	1,655,548
TOTAL GOVERNMENT	\$ 36,613,630	\$ 15,843,866	\$ 2,714,716	\$ -	(19,710,596)	1,655,548	(18,055,048)
General revenues:							
Taxes							
Property taxes, levied for general purposes					12,100,466	-	12,100,466
Sales taxes					7,758,756	-	7,758,756
Franchise taxes					824,333	-	824,333
Payment in lieu of taxes					561,000	-	561,000
Penalties and interest					64,170	-	64,170
Interest on investments					1,850,124	878,065	2,728,189
Miscellaneous revenue					169,746	-	169,746
Transfers					946,001	(946,001)	-
Total general revenues and transfers					24,274,596	(67,936)	24,206,660
Change in net position					4,564,000	1,587,612	6,151,612
Net position - beginning of year					58,082,760	39,159,333	97,242,093
NET POSITION - END OF YEAR					\$ 62,646,760	\$ 40,746,945	\$ 103,393,705

The Notes to Basic Financial Statements are an integral part of these statements.

Fund Financial Statements Governmental Funds

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City of Watauga, Texas

Balance Sheet - Governmental Funds

September 30, 2025

	General	Debt Service	Capital Projects	COVID-19 Grant	Non Major Governmental Funds	Total Governmental Funds
ASSETS						
Cash and cash equivalents	\$ 7,990,447	\$ 1,213,490	\$ 900,735	\$ 1,064,942	\$ 4,380,171	\$ 15,549,785
Investments	1,803,722	120,437	27,834,383	-	374,305	30,132,847
Receivables, net of allowance for uncollectibles						
Property taxes	155,228	75,629	-	-	-	230,857
Accounts receivable	1,482,121	-	-	-	453,927	1,936,048
Prepaid items	16,117	-	-	-	450	16,567
Inventory of supplies	20,494	-	-	-	-	20,494
TOTAL ASSETS	\$ 11,468,129	\$ 1,409,556	\$ 28,735,118	\$ 1,064,942	\$ 5,208,853	\$ 47,886,598
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES						
LIABILITIES						
Accounts payable	\$ 426,578	\$ -	\$ 215,370	\$ 467,375	\$ 107,188	\$ 1,216,511
Accrued liabilities	841,225	14,913	29,237	-	41,343	926,718
Unearned revenue	-	-	-	597,567	-	597,567
Deposits	19,879	-	-	-	-	19,879
Total liabilities	1,287,682	14,913	244,607	1,064,942	148,531	2,760,675
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenue - property taxes	160,792	69,040	-	-	-	229,832
Unavailable revenue - EMS	573,228	-	-	-	-	573,228
Total deferred inflows of resources	734,020	69,040	-	-	-	803,060
Fund balances:						
Nonspendable						
Inventory	20,494	-	-	-	-	20,494
Prepaid items	16,117	-	-	-	450	16,567
Restricted:						
Capital acquisitions	-	-	28,490,511	-	45,975	28,536,486
and contractual obligations	-	-	-	-	-	-
Debt service	-	1,325,603	-	-	-	1,325,603
Culture and recreation	-	-	-	-	243,490	243,490
Economic development	-	-	-	-	3,304,574	3,304,574
Public works	-	-	-	-	6,637	6,637
Public safety	-	-	-	-	1,459,196	1,459,196
Unassigned	9,409,816	-	-	-	-	9,409,816
Total fund balances	9,446,427	1,325,603	28,490,511	-	5,060,322	44,322,863
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 11,468,129	\$ 1,409,556	\$ 28,735,118	\$ 1,064,942	\$ 5,208,853	\$ 47,886,598

The Notes to Basic Financial Statements are an integral part of these statements.

City of Watauga, Texas

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position September 30, 2025

TOTAL FUND BALANCE - GOVERNMENTAL FUND

\$ 44,322,863

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities, excluding ISF capital assets, are not current financial resources and therefore are not reported in the governmental funds balance sheet.

60,523,015

Deferred outflows related to OPEB

156,885

Deferred outflows related to pension

2,260,564

Interest payable on long-term debt does not require current financial resources; therefore, interest payable is not reported as a liability in the governmental funds balance sheet.

(172,016)

Revenues earned but not available within sixty days of the year end are not recognized as revenue on the fund financial statements.

803,060

Deferred inflows related to OPEB

(662,904)

Long-term liabilities, including bonds payable are not due and payable in the current period and therefore are not reported in the fund financial statements. Long-term liabilities at year-end consist of:

General obligation bonds

(115,000)

Certificate of obligations

(35,940,000)

Premiums on issuance

(1,531,773)

Arbitrage liability

(531,355)

Compensated absences

(2,536,168)

Right-to-use subscription assets

(51,833)

Right-to-use leases

(227,583)

Net pension liability

(6,097,663)

Total OPEB liability

(1,022,953)

Total long-term liabilities

(48,054,328)

Internal service funds are used by management to charge the cost of certain activities, such as fleet management, to individual funds. The net position of the internal service fund is net of the amount allocated to business-type activities, deferred charges, capital assets and long-term liabilities.

4,093,454

TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES

\$ 62,646,760

The Notes to Basic Financial Statements are an integral part of these statements.

City of Watauga, Texas

Statement of Revenues, Expenditures and Changes in Fund Balances Governmental Funds For The Fiscal Ended September 30, 2025

	General	Debt Service	Capital Projects	COVID-19 Grant	Non Major Governmental Funds	Total Governmental Funds
REVENUES						
Taxes and franchise fees	\$ 13,388,149	\$ 4,449,344	\$ -	\$ -	\$ 2,889,280	\$ 20,726,773
Licenses and permits	937,898	-	-	-	-	937,898
Charges for services	1,367,242	-	-	-	-	1,367,242
Fines and forfeitures	623,860	-	-	-	-	623,860
Interest income	448,191	54,362	987,780	77,145	201,931	1,769,409
Intergovernmental	561,000	-	364,095	2,346,162	-	3,271,257
Miscellaneous	836,410	-	-	-	155,753	992,163
Total revenues	18,162,750	4,503,706	1,351,875	2,423,307	3,246,964	29,688,602
EXPENDITURES						
Current:						
General government	5,303,161	-	-	-	-	5,303,161
Public safety	9,404,811	-	-	40,405	1,950,414	11,395,630
Culture and recreation	2,710,745	-	-	-	9,020	2,719,765
Economic development	-	-	-	-	88,892	88,892
Public works	1,012,966	-	-	125,000	-	1,137,966
Capital outlay	50,159	-	3,614,798	2,257,902	517,754	6,440,613
Debt service:						
Principal	84,014	3,540,000	-	-	34,307	3,658,321
Interest and other charges	3,247	1,011,807	128,220	-	8,284	1,151,558
Total expenditures	18,569,103	4,551,807	3,743,018	2,423,307	2,608,671	31,895,906
Excess (deficiency) of revenues over expenditures	(406,353)	(48,101)	(2,391,143)	-	638,293	(2,207,304)
OTHER FINANCING SOURCES (USES)						
Issuance of debt	-	-	8,740,000	-	-	8,740,000
Premium on bond issuance	-	-	228,251	-	-	228,251
Transfers in	910,640	150,000	648,000	-	100,000	1,808,640
Transfers out	(648,000)	-	-	-	(599,640)	(1,247,640)
Total other financing sources (uses)	262,640	150,000	9,616,251	-	(499,640)	9,529,251
Net change in fund balances	(143,713)	101,899	7,225,108	-	138,653	7,321,947
Fund Balance, beginning	9,590,140	1,223,704	21,265,403	-	4,921,669	37,000,916
FUND BALANCE, ending	\$ 9,446,427	\$ 1,325,603	\$ 28,490,511	\$ -	\$ 5,060,322	\$ 44,322,863

The Notes to Basic Financial Statements are an integral part of these statements.

City of Watauga, Texas

Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities For the Fiscal Year Ended September 30, 2025

TOTAL NET CHANGE IN FUND BALANCE - GOVERNMENTAL FUND

\$ 7,321,947

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report outlays for capital assets as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount of capital assets recorded in the current period.

6,100,692

Depreciation expense on capital assets is reported in the statement of activities but does not require the use of current financial resources. Therefore, depreciation expense is not reported as expenditures in the governmental funds.

(2,703,644)

The issuance of long-term debt (e.g. bonds and arbitrage liability) (\$8,740,000 and \$335,279) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt, including leases and SBITAs, of \$3,630,385 consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items of \$138,376, when debt is first issued, whereas the amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.

(5,555,334)

Current year changes in long-term liability for compensated absences do not require the use of current financial resources; therefore, are not reported as expenditures in governmental funds.

(809,339)

Current year changes in accrued interest payable do not require the use of current financial resources; therefore, are not reported as expenditures in governmental funds.

(169)

Certain unavailable revenues in the government-wide statement of activities that do not provide current financial resources are not reported as revenue in the governmental funds.

206,344

Current year changes in the net pension liability, deferred inflows of resources and deferred outflows of resources in the pension plan. The net effect of these items decreased net position.

(148,747)

Current year changes in the net pension liability, deferred inflows of resources and deferred outflows of resources in the OPEB plans. The net effect of these items decreased net position.

(4,754)

Internal service funds are used by management to charge the costs of certain activities, such as fleet management, to individual funds. The net revenue of the internal service funds is reported with business-type activities.

157,004

CHANGE IN NET POSITION - GOVERNMENTAL ACTIVITIES

\$ 4,564,000

The Notes to Basic Financial Statements are an integral part of these statements.

Fund Financial Statements

Proprietary Funds

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City of Watauga, Texas

Statement of Net Position

Proprietary Funds

September 30, 2025

	Business-Type Activities			Governmental Activities - Internal Service Fund
	Water and Sewer	Drainage Utility	Total Enterprise Funds	
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 2,708,221	\$ 4,991,455	\$ 7,699,676	\$ 1,669,104
Investments	12,995,601	728,426	13,724,027	-
Accounts receivable and unbilled revenue less allowance for uncollectibles	1,610,506	72,931	1,683,437	-
Inventories	39,591	-	39,591	-
Total current assets	17,353,919	5,792,812	23,146,731	1,669,104
Non-current assets:				
Capital Assets:				
Land	91,000	-	91,000	-
Construction in Progress	1,011,138	385,855	1,396,993	-
Buildings	3,246,847	106,931	3,353,778	154,068
Right-to-use assets	38,060	-	38,060	-
Equipment	2,095,287	152,938	2,248,225	5,852,047
Drainage improvements	-	21,722,744	21,722,744	-
Waterworks and sanitary sewer system	35,954,657	-	35,954,657	-
	42,436,989	22,368,468	64,805,457	6,006,115
Less Accumulated depreciation/amortization	(10,397,948)	(12,499,903)	(22,897,851)	(3,384,058)
Capital assets net of depreciation/amortization	32,039,041	9,868,565	41,907,606	2,622,057
Total assets	49,392,960	15,661,377	65,054,337	4,291,161
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows - OPEB	22,412	7,471	29,883	-
Deferred outflows - pension	322,938	107,646	430,584	-
Total deferred outflows	345,350	115,117	460,467	-

The Notes to the Basic Financial Statements are an integral part of these statements.

City of Watauga, Texas

Statement of Net Position – Continued

Proprietary Funds

September 30, 2025

	Business-Type Activities			Governmental
	Water and Sewer	Drainage Utility	Total Enterprise Funds	Activities - Internal Service Fund
LIABILITIES				
Current liabilities:				
Payable from current assets				
Accounts payable	\$ 802,259	\$ 283,511	\$ 1,085,770	\$ 1,779
Accrued liabilities	181,291	14,130	195,421	-
Current portion of right-to-use leases	4,487	-	4,487	-
Current portion of compensated absences	12,754	1,806	14,560	-
Current portion of bonds payable	1,560,000	-	1,560,000	-
Deposits	974,367	-	974,367	-
Payable from restricted assets				
Accrued interest	101,457	-	101,457	-
Total current liabilities	3,636,615	299,447	3,936,062	1,779
Noncurrent liabilities:				
Bonds payable	19,253,293	-	19,253,293	-
Compensated absences	130,499	42,532	173,031	-
Total OPEB liability	146,136	48,712	194,848	-
Net pension liability	871,095	290,365	1,161,460	-
Total non-current liabilities	20,401,023	381,609	20,782,632	-
Total liabilities	24,037,638	681,056	24,718,694	1,779
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows - OPEB	94,701	31,567	126,268	-
Deferred inflows - pension	89,119	29,706	118,825	-
Total deferred inflows	183,820	61,273	245,093	-
NET POSITION				
Net investment in capital assets	21,035,841	9,868,565	30,904,406	2,622,057
Unrestricted	4,481,011	5,165,600	9,646,611	1,667,325
TOTAL NET POSITION	<u>\$ 25,516,852</u>	<u>\$ 15,034,165</u>	40,551,017	<u>\$ 4,289,382</u>
Reconciliation to government-wide statement of net position				
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds			195,928	
Net position of business-type activities			\$ 40,746,945	

The Notes to the Basic Financial Statements are an integral part of these statements.

City of Watauga, Texas

Statement of Revenues, Expenses and Changes in Fund Net Position

Proprietary Funds

For the fiscal year ended September 30, 2025

	Business-Type Activities			Governmental Activities - Internal Service Fund
	Water and Sewer	Drainage Utility	Total Enterprise Funds	
OPERATING REVENUES				
Water service	\$ 4,987,685	\$ -	\$ 4,987,685	\$ -
Sewer service	4,618,749	-	4,618,749	-
Drainage fees	-	1,498,099	1,498,099	-
Service fees and miscellaneous	799,484	-	799,484	87,660
Total operating revenues	10,405,918	1,498,099	11,904,017	87,660
OPERATING EXPENSES				
Personnel services	1,948,881	511,475	2,460,356	-
Supplies	105,879	24,169	130,048	-
Maintenance	94,623	52,235	146,858	-
Contractual services	5,120,709	323,298	5,444,007	-
Capital outlay	211,179	135,749	346,928	49,944
Depreciation and amortization	739,730	452,705	1,192,435	393,730
Total operating expenses	8,221,001	1,499,631	9,720,632	443,674
Operating income (loss)	2,184,917	(1,532)	2,183,385	(356,014)
NON - OPERATING REVENUES (EXPENSES)				
Investment income	652,103	225,962	878,065	80,715
Loss on disposal of capital assets	29,105	-	29,105	7,500
Interest expense	(517,139)	-	(517,139)	-
TOTAL NON - OPERATING REVENUE (EXPENSES), net	164,069	225,962	390,031	88,215
Income (loss) before transfers	2,348,986	224,430	2,573,416	(267,799)
Transfers in	-	-	-	385,000
Transfers out	(752,001)	(194,000)	(946,001)	-
Change in net position	1,596,985	30,430	1,627,415	117,201
TOTAL NET POSITION, beginning of the year	23,919,867	15,003,735	38,923,602	4,172,181
TOTAL NET POSITION, ending of the year	<u>\$ 25,516,852</u>	<u>\$ 15,034,165</u>	<u>\$ 40,551,017</u>	<u>\$ 4,289,382</u>
Reconciliation to government-wide statement of net position				
Change in net position			1,627,415	
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds			(39,803)	
Change in net position of business-type activities			<u>\$ 1,587,612</u>	

The Notes to the Basic Financial Statements are an integral part of these statements.

City of Watauga, Texas
Statement of Cash Flows
Proprietary Funds
For the fiscal year ended September 30, 2025

	Business-Type Activities			Governmental Activities - Internal Service Fund
	Water and Sewer	Drainage Utility	Total Enterprise Funds	
OPERATING ACTIVITIES				
Cash received from customers	\$ 10,531,848	\$ 1,505,412	\$ 12,037,260	\$ 95,160
Cash payments to suppliers for goods and services	(5,054,967)	(288,939)	(5,343,906)	(48,165)
Cash payments to employees for services	(1,788,629)	(481,772)	(2,270,401)	-
Net cash provided by operating activities	3,688,252	734,701	4,422,953	46,995
NONCAPITAL FINANCING ACTIVITIES				
Transfers from other funds	-	-	-	385,000
Transfers to other funds	(752,001)	(194,000)	(946,001)	-
Net cash provided by (used in) in noncapital financing activities	(752,001)	(194,000)	(946,001)	385,000
CAPITAL AND RELATED FINANCING ACTIVITIES				
Proceeds on issuance of debt	9,006,637	-	9,006,637	-
Proceeds from the sale of equipment	29,105	-	29,105	-
Purchase of capital assets	(838,546)	(219,030)	(1,057,576)	(897,917)
Repayment of debt	(1,568,774)	-	(1,568,774)	-
Bond issuance costs	(7,490,724)	-	(7,490,724)	-
Interest paid on debt	(514,606)	-	(514,606)	-
Net cash used in capital and related financing activities	(1,376,908)	(219,030)	(1,595,938)	(897,917)
INVESTING ACTIVITIES				
Purchase of investments	(1,627,713)	(34,528)	(1,662,241)	-
Investment income	652,103	225,962	878,065	80,715
Net cash provided by (used in) investing activities	(975,610)	191,434	(784,176)	80,715
NET CHANGE IN CASH AND CASH EQUIVALENTS	583,733	513,105	1,096,838	(385,207)
CASH AND CASH EQUIVALENTS , beginning of year	2,124,488	4,478,350	6,602,838	2,054,311
CASH AND CASH EQUIVALENTS , end of year	<u>\$ 2,708,221</u>	<u>\$ 4,991,455</u>	<u>\$ 7,699,676</u>	<u>\$ 1,669,104</u>
Reconciliation of operating income (loss) to net cash provided by operating activities				
Operating income (loss)	\$ 2,184,917	\$ (1,532)	\$ 2,183,385	\$ (356,014)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities				
Depreciation and amortization	739,730	452,705	1,192,435	393,730
Loss on disposal of assets	336,868	-	336,868	7,500
Change in assets and liabilities				
Accounts receivable and unbilled revenue	45,877	4,830	50,707	-
Inventories	7,392	-	7,392	-
Deferred outflows - OPEB	12,305	4,101	16,406	-
Deferred outflows - pension	198,100	66,033	264,133	-
Accounts payable	163,685	248,995	412,680	1,779
Accrued liabilities	68,641	(164)	68,477	-
Deposits	49,531	-	49,531	-
Compensated absences	69,682	22,559	92,241	-
Net pension liability	(265,969)	(88,656)	(354,625)	-
Total OPEB liability	6,118	2,039	8,157	-
Deferred inflows - OPEB	(17,744)	(5,915)	(23,659)	-
Deferred inflows - pension	89,119	29,706	118,825	-
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 3,688,252</u>	<u>\$ 734,701</u>	<u>\$ 4,422,953</u>	<u>\$ 46,995</u>

The Notes to the Basic Financial Statements are an integral part of these statements.

City of Watauga, Texas

Notes to the Basic Financial Statements

Note 1. Summary of Significant Accounting Policies

The City of Watauga (the City) Home Rule Charter was adopted by the voters at an election held on January 19, 1980 and amended January 19, 1985, August 8, 1987, August 11, 1990, January 15, 1994, August 10, 1996, August 8, 1998, September 14, 2002, May 7, 2005, November 6, 2007, May 11, 2013 and November 5, 2019. The City operates under a Council-Manager form of government. The accounting and reporting policies of the City relating to the funds included in the accompanying basic financial statements conform to accounting principles generally accepted in the United States of America (GAAP) applicable to state and local governments.

The City prepares its basic financial statements in conformity with U.S. generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies of the City are described below.

A. Financial Reporting Entity

The basic financial statements of the City include the primary government and its component units, entities for which the primary government is financially accountable and other entities for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The definition of the reporting entity is based primarily on the notion of financial accountability. A primary government is financially accountable for the organizations that make up its legal entity. It is also financially accountable for legally separate organizations if its officials appoint a voting majority of an organization's governing body and either it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on, the primary government. A primary government may also be financially accountable for governmental organizations that are fiscally dependent on it.

A primary government has the ability to impose its will on an organization if it can significantly influence the programs, projects, or activities of, or the level of services performed or provided by, the organization. A financial benefit or burden relationship exists if the primary government (a) is entitled to the organization's resources; (b) is legally obligated or has otherwise assumed the obligation to finance the deficits of, or provide financial support to, the organization; or (c) is obligated in some manner for the debt of the organization.

The following entities were found to be component units of the City and are included in the basic financial statements:

The Watauga Economic Development Corporation (WEDC) was created to encourage the development and advancement of City businesses, development and parks within the City. It provides services that entirely benefits the City. The WEDC is funded through a ¼ cent sales tax and is a Type B corporation. The WEDC is composed of two funds: a special revenue fund and a capital projects fund. Its governing board is appointed by the City Council the City Council is the final authority for approving of funding of projects and the WEDC annual budget. On WEDC's governing board, there are 7 seats which, at a max, 4 seats are allocated to members of the City Council. During 2024, three seats are from the City Council, two are citizens and the last two seats are vacant, which have been vacant since inception. In September 2024, the City added two additional members to the Board. In addition, two of the Certificate of Obligations, the City issued on behalf of the WEDC.

City of Watauga, Texas

Notes to the Basic Financial Statements

The Watauga Crime Control and Prevention District Fund's (WCCPD) sole purpose is to act on behalf of the City in the accumulation and use of resources to add law enforcement officers and purchase additional equipment and supplies for law enforcement purposes. It provides services that entirely benefits the City. The WCCPD's governing board is appointed by the City Council and the City Council is the final authority for approval of funding of projects and the WCCPD's annual budget. The WCCPD is reported as a special revenue fund.

A blended presentation has been used to report the financial information of these component units. The financial information for the individual component units is available from the City.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information about the City as a whole. These statements include all activities of the primary government and its blended component units. For the most part the effect of interfund activity has been removed from these statements. Interfund services provided and used are not eliminated in the process of consolidation. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Fund Financial Statements

The City segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Separate statements are presented for governmental and proprietary activities. These statements present each major fund as a separate column on the fund financial statements; all non-major funds are aggregated and presented in a single column.

Governmental funds are those funds through which most governmental functions typically are financed. The measurement focus of governmental funds is on the sources, uses and balance of current financial resources. The City has presented the following major governmental funds:

General Fund

The General Fund is the main operating fund of the City. This fund is used to account for all financial resources not accounted for in other funds. All general tax revenues and other receipts that are not restricted by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures, fixed charges and capital improvement costs that are not paid through other funds are paid from the General Fund.

City of Watauga, Texas

Notes to the Basic Financial Statements

Debt Service Fund

The Debt Service Fund is used to account for the accumulation of financial resources for the payment of principal, interest and related costs on general long-term debt paid primarily from taxes levied by the City. The fund balance of the Debt Service Fund is restricted exclusively for debt service expenditures.

Capital Projects Fund

The Capital Projects Fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities and equipment. Financing is provided primarily by the sale of tax notes, general obligation and contractual obligation bonds.

COVID-19 Grant Fund

The COVID-19 Grant Fund is used to account for the CARES Grant Interlocal Agreement with Tarrant County passed through the federal government for Coronavirus relief. The eligible expenses include expenses related to COVID-19 response, including payroll and benefits costs, public health and safety, telework enhancements, etc. The City received American Rescue Plan Act funding in 2021 and 2022 that was deposited to this fund for future use.

Proprietary Funds are accounted for using the economic resources measurement focus and the accrual basis of accounting. The accounting objectives are determinations of net income, financial position and cash flow. All assets and liabilities are included on the Statement of Net Position.

The City has presented the following major proprietary funds:

Water and Sewer Fund

The Water and Sewer Fund is used to account for the provision of water and sewer services to the residents of the City. Activities of the fund include administration, operations and maintenance of the water and sewer system and billing and collection activities. The fund also accounts for the accumulation of resources for, and the payment of, long-term debt principal and interest for water and sewer debt. All costs are financed through charges to utility customers with rates reviewed regularly, at least annually, and adjusted if necessary to ensure integrity of the funds.

Drainage Utility Fund

The Drainage Utility Fund is used to account for the user fees charged per residential and commercial unit to enhance drainage of properties within the City. All activities necessary to provide such services are accounted for in this fund, including, but not limited to, administration, operations and maintenance.

Additionally, the City reports an Internal Service Fund, which was established in 1997 for the purpose of replacing equipment. Departments are charged user fees to accumulate funds to be used in replacing existing equipment as needed.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Operating expenses for the proprietary funds include the cost of personnel and contractual services, supplies and depreciation on capital assets.

All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

City of Watauga, Texas

Notes to the Basic Financial Statements

D. Measurement Focus, Basis of Accounting and Financial Statement Presentation

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The government-wide statements and fund financial statements for proprietary funds are reported using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets and liabilities (whether current or non-current) are included on the statement of net position and the operating statements present increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recognized when earned, including unbilled water and sewer services, which are accrued. Expenses are recognized at the time the liability is incurred.

Governmental fund financial statements are reported using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual, i.e., when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The City considers revenues as available if they are collected within 60 days after year end. Expenditures are recorded when the related fund liability is incurred. However, debt service expenditures, as well as expenditures related to compensated absences are recorded only when payment is due.

The revenues susceptible to accrual are property taxes, franchise fees, licenses, charges for service, interest income and intergovernmental revenues. Sales taxes collected and held by the state at year end on behalf of the government are also recognized as revenue. All other governmental fund revenues are recognized when received.

E. Deposits and Investments

Substantially all operating cash, deposits, and short-term investments are maintained in consolidated cash accounts or individual fund investment accounts. Related interest income is allocated to the various funds based primarily on ownership by each fund of specific investments. Cash equivalents consist of highly liquid investments with original maturities of three months or less.

For purposes of the statement of cash flows, the City considers all highly liquid investments to be cash equivalents. Certificates of Deposit are reported at cost plus accrued interest. All other investments are reported at fair value.

State statutes authorize the City to invest in obligations of the U.S. Government or its agencies; obligations of the State of Texas or its agencies; and certain other obligations, repurchase agreements, money market mutual funds, and certificates of deposits within established criterion. During the year ended September 30, 2025, the City did not own any types of securities other than those permitted by statute.

City of Watauga, Texas

Notes to the Basic Financial Statements

F. Receivables

All trade and property tax receivables are shown net of an allowance for uncollectibles.

Property taxes are levied for appropriation for the fiscal year beginning on October 1, are due October 1, attach as an enforceable lien on property as of January 1, and become delinquent on February 1. Property taxes are accrued based on the period for which they are levied and available. Delinquent taxes estimated not to be available are treated as deferred revenue in the governmental fund financial statements. Property taxes for cities, including those applicable to debt service, are limited by the Texas Constitution to \$2.50 per \$100 of assessed valuation. The City's current tax rate is \$0.570200 per \$100 of assessed valuation and assessed valuation is approximately 100% of estimated value.

G. Prepaid Items

Prepaid items indicate payments made by the City in the current year to provide services occurring in a subsequent fiscal year. The consumption approach provides for the initial reporting of the item as an asset while recognition of the expenditure when the item is actually used or consumed.

H. Inventories

Inventories, which are recognized as expenditures as they are consumed, are stated at cost (first-in, first-out method). Inventories consist primarily of expendable supplies. Inventories are offset by a fund balance reserve account in applicable governmental funds to indicate the inventory values are not available for appropriation and are not expendable financial resources.

I. Interfund Receivables and Payables

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

J. Transfers Between Funds

Legally authorized transfers are treated as interfund transfers and are included in the results of operations of both governmental and proprietary funds. Interfund transfers in the fund statements are reported as other financing sources (uses) in governmental funds and after non-operating revenues (expenses) in the proprietary funds.

K. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and in the fund financial statements for proprietary funds. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets, donated works of art and similar items, and capital assets received in a service concession arrangement are valued at their acquisition value on the date donated. Repairs and maintenance are recorded as expenses. Renewals and betterments are capitalized. Interest has not been capitalized during the construction period on property, plant, equipment, and infrastructure assets.

City of Watauga, Texas

Notes to the Basic Financial Statements

Assets capitalized, not including infrastructure assets, have an original cost of \$10,000 or more and over five years of useful life. Depreciation has been calculated on each class of depreciable property using the straight-line method. Estimated useful lives are as follows:

Buildings and improvements	50 years
Improvements other than buildings	50 years
Equipment	10 years
Drainage Improvements	50 years
Infrastructure	9-50 years
Waterworks and sanitary sewer system	50 years

L. Leases

The City is a lessee for non-cancellable leases of property and equipment. The City recognizes a lease liability, reported with long-term debt, and a right-to-use lease asset (lease asset), reported with other capital assets, in the government-wide financial statements.

At the commencement of a lease, the City initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over the shorter of the lease term or its useful life.

Key estimates and judgments related to leases include how the City determined (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The City uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the non-cancellable period of the lease.
- Lease payments included in the measurement of the lease receivable are composed of fixed payments from the lessee, variable payments from the lessee that are fixed in substance or that depend on an index or a rate, residual value guarantee payments from the lessee that are fixed in substance, and any lease incentives that are payable to the lessee.

The City monitors changes in circumstances that would require a re-measurement of its leases and will re-measure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

M. Subscription-Based Information Technology Arrangements (SBITAs)

The City has noncancellable contracts with SBITA vendors for the right-to-use information technology (IT) software, alone or in combination with tangible capital assets (the underlying IT assets). The City recognizes a subscription liability, reported with long-term debt, and a right-to-use subscription asset (an intangible asset), reported with other capital assets, in the government-wide and proprietary fund financial statements. The City recognizes subscription liabilities with an initial, individual value of \$25,000 or more.

At the commencement of a SBITA, the City initially measures the subscription liability at the present value of payments expected to be made during the subscription term. Subsequently, the subscription liability is reduced by the principal portion of SBITA payments made. The subscription asset is initially measured as the initial amount of the subscription liability, adjusted for SBITA payments made at or before the SBITA commencement date, plus certain initial implementation costs. Subsequently, the subscription asset is amortized on a straight-line basis over the shorter of the subscription term or the useful life of the underlying IT assets.

City of Watauga, Texas

Notes to the Basic Financial Statements

Key estimates and judgments related to SBITAs include how the City determines (1) the discount rate it uses to discount the expected subscription payments to present value, (2) subscription term, and (3) subscription payments.

The City uses the interest rate charged by the SBITA vendor as the discount rate. When no interest rate is provided by the vendor, the City generally uses its estimated incremental borrowing rate as the discount rate for SBITAs. The subscription term includes the noncancellable period of the SBITA. Subscription payments included in the measurement of the subscription liability are composed of fixed payments, variable payments fixed in substance or that depend on an index or a rate, termination penalties if the City is reasonably certain to exercise such options, subscription contract incentives receivable from the SBITA vendor, and any other payments that are reasonably certain of being required based on an assessment of all relevant factors.

The City monitors changes in circumstances that would require a remeasurement of its SBITAs and will remeasure the subscription asset and liability if certain changes occur that are expected to significantly affect the amount of the subscription liability.

N. Compensated Absences

On January 1, 2023, the City updated its sick leave policy to where all employees can accumulate sick leave, but only civil service employees, upon termination, can be reimbursed 100% of 90 days. The current and long-term liabilities for accumulated vacation and sick leave are reported on the government-wide financial statements and in the proprietary fund financial statements. The total liability for compensated absences at September 30, 2025 was \$2,723,760, including \$187,592 of proprietary fund balances which are included in current and non-current liabilities on the proprietary fund statement of net position.

The estimated vacation liability expected to be satisfied with available financial resources is included in accrued salaries and wages in the governmental funds.

The City recognizes a liability for compensated absences for leave time that (1) has been earned for services previously rendered by employees, (2) accumulates and is allowed to be carried over to subsequent years, and (3) is more likely than not to be used as time off or settled (for example paid in cash to the employee or payment to an employee benefit account) during or upon separation from employment. Based on the criteria listed, the following types of leave qualify for liability recognition for compensated absences – vacation and sick leave. The liability for compensated absences is reported as incurred in the government-wide and proprietary fund financial statements. A liability for compensated absences is recorded in the governmental funds only if the liability has matured because of employee resignations or retirements. The liability for compensated absences includes salary-related benefits, where applicable.

Except for where noted above, the City does not have a monetary obligation for accumulated sick leave benefits upon separation from service. However, a liability for the estimated value of leave benefits that will be used by employees as time off is included in the liability for compensated absences.

O. Deferred Inflows and Outflows of Resources

The statement of net position includes a separate section, in addition to assets, for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net assets that applies to future periods and therefore will not be recognized as an expense/expenditure until that time. In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. Deferred inflows of resources, represents an acquisition of net assets that applies to future periods and so will not be recognized as revenue until that time.

City of Watauga, Texas

Notes to the Basic Financial Statements

The City has the following items that qualify for reporting as deferred outflows or inflows of resources:

- Difference in projected and actual earnings on pension assets – this difference is deferred and amortized over a closed five-year period.
- Difference in expected and actual pension and OPEB experience – this difference is deferred and amortized over a closed period that approximates the estimated average remaining lives of all members on the measurement date.
- Difference in pension and OPEB actuarial assumption changes – this difference is deferred and amortized over a closed period that approximates the estimated average remaining lives of all members on the measurement date.
- Pension and OPEB contributions after measurement date – these contributions are deferred and recognized in the following fiscal year.
- Emergency medical services and property taxes are recognized in the period the amount becomes available.

P. Fund Balance

The City reports fund balances in accordance with GASB Statement No. 54 "Fund Balance Reporting and Governmental Fund Type Definitions." This Statement provides clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balances more transparent. The following classifications describe the relative strength of the spending constraints:

Non-spendable fund balance – amounts that are not in spendable form or are required to be maintained intact. As such, the inventory and prepaid items have been classified as non-spendable in the Governmental Funds Balance Sheet.

Restricted fund balance – amounts that can be spent only for specific purposes because of local, state or federal laws, or externally imposed conditions by grantors or creditors. Restrictions for capital acquisitions and contractual obligations, debt service and other purpose and state restrictions have been properly classified in the Governmental Funds Balance Sheet.

Committed fund balance – amounts constrained to specific purposes by the City itself, using its highest level of decision-making authority (i.e., the City Council). To be reported as committed, amounts cannot be used for any other purposes unless the City takes the same highest level of action to remove or change the constraint. The City establishes (and modifies and rescinds) fund balance commitments by passage of a resolution by City Council. Once the resolutions are adopted, the limitation imposed remains in place until a similar action is taken (the adoption of another resolution) to remove or revise the limitation. There were no committed fund balances as of September 30, 2025.

Assigned fund balance – amounts the City intends to use for a specific purpose. Intent can be expressed by the City or by an official or body to which the City Council delegates the authority. Per the City's fund balance policy, assigned fund balance amounts are established by the City Manager. There were no assigned fund balances as of September 30, 2025.

Unassigned fund balance – amounts that are available for any purpose. The general fund is the only fund that reports a positive unassigned fund balance amount. However, in governmental funds other than the general fund, if expenditures incurred for specific purposes exceed the amounts that are restricted, committed, or assigned to those purposes, it may be necessary to report a negative unassigned fund balance in that fund.

City of Watauga, Texas

Notes to the Basic Financial Statements

When multiple categories of fund balance are available for expenditure, the City will first spend the most restricted funds before moving down to the next most restrictive category with available funds.

Q. Net Position

Net position represents the difference between assets, deferred outflows of resources, liabilities and deferred inflows of resources. The City's net investment in capital assets consists of capital assets, net of accumulated depreciation/amortization, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislations adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the City considers restricted funds to have been spent first.

R. Encumbrances

Encumbrances for goods or purchased services are documented by purchase orders or contracts. Since under Texas law, appropriations lapse at fiscal year-end, outstanding encumbrances are appropriately provided for in the subsequent years' budget to provide for the liquidation of the prior commitments. As of September 30, 2025, the City had no encumbrances in the General Fund that rolled over into the new fiscal year.

S. Pension

For purposes of measuring the Net Pension Liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the Fiduciary Net Position of the Texas Municipal Retirement System (TMRS) and additions to/deductions from TMRS's Fiduciary Net Position have been determined on the same basis as they are reported by TMRS. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. Information regarding the City's Total Pension Liability is obtained from TMRS through a report prepared for the City by TMRS consulting actuary, GRS Retirement Consulting, in compliance with Governmental Accounting Standards Board (GASB) Statements No. 68 and No. 71.

T. Other Post-Employment Benefits

The City provides its retirees the opportunity to maintain health insurance coverage by participating in the City's self-insurance plan. The City reports the total liability for this plan on the government-wide and proprietary fund financial statements. The actual cost recorded in the governmental fund financial statements is the cost of the health benefits incurred on behalf of the retirees less the premiums collected from the retirees.

Information regarding the City's total liability for this plan is obtained through a report prepared by GRS Retirement Consulting, the City's third-party actuary, in compliance with GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.

Additionally, the City participates in a defined benefit group-term life insurance plan, both for current and retired employees, administered by the Texas Municipal Retirement System (TMRS). The City reports the total liability for this plan on the government-wide and proprietary fund financial statements. Information regarding the City's total OPEB liability is obtained from TMRS through a report prepared for the City by TMRS' consulting actuary, GRS Retirement Consulting, in compliance with GASB Statement No. 75.

City of Watauga, Texas

Notes to the Basic Financial Statements

U. New Accounting Pronouncements

The GASB pronouncements effective in fiscal years 2025 and significant pronouncements that are effective beyond are listed as follows:

GASB Statement No. 101, *Compensated Absences* (GASB 101), improves the information needs of financial statements users by updating the recognition and measurement guidance for compensated absences under a unified model and amending certain previously required disclosures. The requirements of this statement are effective for reporting periods beginning after December 15, 2023, with earlier application encouraged. GASB 101 was implemented in the City's fiscal year 2025 financial statements.

GASB Statement No. 102, *Certain Risk Disclosures* (GASB 102), improves financial reporting by providing users of financial statements with essential information regarding certain concentrations of constraints and related events that have occurred or have begun to occur that make a government vulnerable to a substantial impact. The requirements of this statement are effective for reporting periods beginning after June 15, 2024, with earlier application encouraged. GASB 102 was implemented in the City's fiscal year 2025 financial statements with no impact to amounts or disclosures previously reported.

GASB Statement No. 103, *Financial Reporting Model Improvements* (GASB 103), improves key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. This statement also addresses certain application issues. The requirements of this statement are effective for reporting periods beginning after June 15, 2025, with earlier application encouraged. GASB 103 will be implemented in the City's fiscal year 2026 financial statements and the impact has not yet been determined.

GASB Statement No. 104, *Disclosure of Certain Capital Assets* (GASB 104), establishes requirements for certain types of capital assets to be disclosed separately in the capital assets note disclosures. It also establishes requirements for capital assets held for sale, including additional disclosures for those capital assets. The requirements of this statement are effective for reporting periods beginning after June 15, 2025, with earlier application encouraged. GASB 104 will be implemented in the City's fiscal year 2026 financial statements and the impact has not yet been determined.

Note 2. Deposits (Cash) and Investments

The Public Funds Investment Act (Government Code Chapter 2256) (the Act) contains specific provisions in the areas of investment practices, management reports and establishment of appropriate policies. Among other things, it requires the City to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity, allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, (9) and bid solicitation preferences for certificates of deposit.

City of Watauga, Texas

Notes to the Basic Financial Statements

Statutes and the City's investment policy authorized the City to invest in the following investments as summarized in the following table:

<u>Authorized Investment Type</u>	<u>Final Stated Maximum Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
Public funds investment	N/A	100%	None
Certificates of deposit	5 years	100%	None
U.S. Treasury obligations	5 years	100%	None
No-load money market	5 years	50%	None
Repurchase agreements	5 years	50%	None
State of Texas securities	5 years	50%	None
U.S. agency obligations	5 years	50%	None
Commercial paper	5 years	10%	None

The Act also requires the City to have independent auditors perform test procedures related to investment practices as provided by the Act. The City is in substantial compliance with the requirements of the Act and with local policies.

Deposits and investments as of September 30, 2025, are classified in the accompanying financial statements as follows:

Governmental Activities	\$ 47,351,736
Business Type Activities	21,423,703
	<u>\$ 68,775,439</u>

Deposits and investments as of September 30, 2025, consist of the following:

Deposits with financial institutions	\$ 5,012,982
Petty cash	4,705
Investments	63,757,752
	<u>\$ 68,775,439</u>

\$10,000 of the deposits with financial institutions listed above are in a joint use facility fund with the City of North Richland Hills. The funds are to be used to maintain a water and sewer transfer station.

Some of items above are classified as short-term investments and are included in cash and cash equivalents.

For the purposes of the statement of cash flows, the City considers all highly liquid investments with maturities at the date of purchase of three months or less to be cash equivalents.

City of Watauga, Texas

Notes to the Basic Financial Statements

A. Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the City manages its exposure to interest rate risk is by investing mainly in investment pools which purchase a combination of shorter-term investments with an average maturity of less than 365 days thus reducing the interest rate risk. The City monitors the interest rate risk inherent in its portfolio by measuring the weighted average maturity of its portfolio. The City has no specific limitations with respect to this metric.

As of September 30, 2025, the City had the following investments:

Investment Type	Carrying Value	Weighted Average Maturity
TexPool	\$ 17,313,721	41 days
TexPool Prime	1,454,798	41 days
TexasTERM	548,123	45 days
LOGIC	360,990	54 days
Money Market	40,605,052	Daily
CDs	3,475,068	29 days
	<u>\$ 63,757,752</u>	

\$1,464,512 of the investments listed above are in a joint use facility fund with the City of North Richland Hills. The funds are to be used to maintain a water and sewer transfer station.

As of September 30, 2025, the City did not invest in any securities which are highly sensitive to interest rate fluctuations.

B. Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the Public Funds Investment Act, the City's investment policy or debt agreements and the actual rating as of year-end for each investment type.

Investment Type	Carrying Value	Minimum Rating Required	Actual Investment Rating
TexPool	\$ 17,313,721	AAA	AAAm
TexPool Prime	1,454,798	AAA	AAAm
TexasTerm	548,123	AAA	AAAmmf
LOGIC	360,990	AAA	AAA
Money Market	40,605,052	N/A	N/A
CDs	3,475,068	N/A	N/A
	<u>\$ 63,757,752</u>		

City of Watauga, Texas

Notes to the Basic Financial Statements

C. Concentration of Credit Risk

The investment policy of the City contains no limitations on the amount that can be invested in any one issuer. As of September 30, 2025, other than external investment pools and securities guaranteed by the United States Government, the City did not have 5% or more of its investments with one issuer.

D. Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The Public Funds Investment Act and the City's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits.

The Public Funds Investment Act requires that a financial institution secure deposit made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The fair value of the pledged securities in the collateral pool must equal at least the bank balance less the FDIC insurance of \$250,000 at all times.

At September 30, 2025, the carrying amount of the City's cash on hand and deposits was \$5,012,982 and the bank balance was \$5,152,750. Of the bank balance, \$250,000 was covered by federal depository insurance while the remaining \$4,902,750 was secured with securities held by the pledging financial institution's trust department or agent in the City's name.

The City is a voluntary participant in the TexPool, LOGIC and TexasTERM external investment pools.

The State Comptroller of Public Accounts exercises responsibility over TexPool. Oversight includes the ability to significantly influence operations, designation of management, and accountability for fiscal matters. Additionally, the State Comptroller has established an advisory board composed of both Participants in TexPool and other persons who do not have a business relationship with TexPool. TexPool operates in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. TexPool uses amortized cost rather than market value to report net position to compute share prices. Accordingly, the fair value of the position in TexPool is the same as the value of TexPool Shares.

LOGIC is governed by a six-member board and is an AAA-rated investment program tailored to the investment needs of local governments within the state of Texas and is administered by First Southwest Asset Management, Inc. and JPMorgan Chase. LOGIC assists governments across Texas making the most of taxpayer dollars by allowing local officials to improve the return on their invested balances by pooling their money with other entities to achieve economies of scale in a conservative fund. LOGIC is a "Constant Dollar" net asset value pool and is in full compliance with the Texas Public Funds Investment Act.

TexasTERM is organized in conformity with the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and the Public Funds Investment Act, Chapter 2256 of the Texas Government Code. A seven-member advisory board governs the Pool. As required by the Public Funds Investment Act, the Advisory Board is composed of participants in the Pool and other persons who do not have a business relationship with the Pool. Under agreement with the TexasTERM Advisory Board, PFM Asset Management LLC provides administrative and investment services to the pool. The Pool purchases only investments of the type in which Texas local governments are permitted to invest their own funds. The fair value of the position in TexasTERM is the same as the value of TexasTERM shares.

City of Watauga, Texas

Notes to the Basic Financial Statements

The City's external pooled funds are reported at amortized cost or net asset value as permitted by GASB Statement No. 79, Certain External Investment Pools and Pool Participants. External investment pools are exempt from fair value reporting and are, therefore, excluded from the fair value hierarchy. In addition, The City's investment pools do not have any limitations and restrictions on withdrawals such as notice periods or maximum transaction amounts. The pools do not impose any liquidity fees or redemption gates.

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. GASB Statement No. 72, Fair Value Measurement and Application provides a framework for measuring fair value which establishes a three-level fair value hierarchy that describes the inputs that are used to measure assets and liabilities.

- Level 1 inputs are quoted prices (unadjusted) for identical assets or liabilities in active markets that a government can access at the measurement date.
- Level 2 inputs are inputs – other than quoted prices included within Level 1 – that are observable for an asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for an asset or liability.

The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs. If a price for an identical asset or liability is not observable, a government should measure fair value using another valuation technique that maximizes the use of relevant observable inputs and minimizes the use of unobservable inputs. If the fair value of an asset or a liability is measured using inputs from more than one level of the fair value hierarchy, the measurement is considered to be based on the lowest priority level input that is significant to the entire measurement.

Market values of money market accounts are based on quoted market values using Level 2 inputs. Certificates of deposit are recorded at cost plus accrued interest and are exempt from the fair value hierarchy.

Note 3. Receivables

Accounts receivable balances for the year ended September 30, 2025, was as follows:

Governmental Funds:

	General	Debt Service	Capital Projects	Nonmajor Governmental	Total
Receivables:					
Property taxes	\$ 207,722	\$ 103,313	\$ -	\$ -	\$ 311,035
Sales tax	750,185	-	-	446,369	1,196,554
Garbage	100,554	-	-	-	100,554
Ambulance	1,006,665	-	-	-	1,006,665
Other	104,861	1,025	-	7,558	113,444
Gross receivables	2,169,987	104,338	-	453,927	2,728,252
Less: allowance for uncollectibles	(532,638)	(28,709)	-	-	(561,347)
Total net receivables	\$ 1,637,349	\$ 75,629	\$ -	\$ 453,927	\$ 2,166,905

City of Watauga, Texas

Notes to the Basic Financial Statements

Proprietary Funds:

	Water and Sewer	Drainage Utility	Total
Receivables:			
Customer accounts	\$ 2,038,911	\$ 107,614	\$ 2,146,525
Gross receivables	2,038,911	107,614	2,146,525
Less: allowance for uncollectibles	(428,405)	(34,683)	(463,088)
Total net receivables	\$ 1,610,506	\$ 72,931	\$ 1,683,437

Note 4. Capital Assets

Capital asset activity for the year ended September 30, 2025, was as follows:

	Balance, September 30, 2024	Additions/ Completions	Retirements	Transfers	Balance, September 30, 2025
Governmental activities					
Capital assets, not being depreciated					
Land	\$ 19,394,600	\$ -	\$ -	\$ -	\$ 19,394,600
Construction in progress	2,716,651	3,411,890	-	(439,986)	5,688,555
Total capital assets, not being depreciated	22,111,251	3,411,890	-	(439,986)	25,083,155
Capital assets being depreciated					
Buildings and improvements	24,127,553	-	-	-	24,127,553
Right-to-use leased assets	610,442	-	-	-	610,442
Right-to-use subscription assets	89,267	-	-	-	89,267
Improvements other than buildings	801,603	623,146	-	-	1,424,749
Equipment	19,926,741	2,355,622	(344,873)	-	21,937,490
Infrastructure	43,830,109	607,951	-	439,986	44,878,046
Total capital assets, being depreciated/amortized	89,385,715	3,586,719	(344,873)	439,986	93,067,547
Less accumulated depreciation					
Buildings and improvements	7,919,417	468,826	-	-	8,388,243
Right-to-use leased assets	235,352	78,451	-	-	313,803
Right-to-use subscription assets	7,605	22,814	-	-	30,419
Improvements other than buildings	134,648	17,659	-	-	152,307
Equipment	12,951,407	1,193,145	(344,873)	-	13,799,679
Infrastructure	31,240,431	1,276,676	-	-	32,517,107
Total accumulated depreciation/amortization	52,488,860	3,057,571	(344,873)	-	55,201,558
Total capital assets being depreciated/amortized, net	36,896,855	529,148	-	439,986	37,865,989
Governmental activities capital assets, net	\$ 59,008,106	\$ 3,941,038	-	-	\$ 62,949,144

City of Watauga, Texas

Notes to the Basic Financial Statements

	Balance, September 30, 2024	Additions/ Completions	Retirements	Transfers	Balance, September 30, 2025
Business-type Activities					
Capital assets, not being depreciated:					
Land	\$ 91,000	\$ -	\$ -	\$ -	\$ 91,000
Construction in progress	1,053,480	383,523	-	(40,010)	1,396,993
Total capital assets, not being depreciated	1,144,480	383,523	-	(40,010)	1,487,993
Capital assets, being depreciated:					
Buildings and improvements	3,353,778	-	-	-	3,353,778
Right-to-use leased assets	38,060	-	-	-	38,060
Equipment	2,979,902	165,203	(336,868)	-	2,808,237
Street and drainage improvements	21,722,745	-	-	-	21,722,745
Waterworks and sewer system	35,607,524	308,080	-	40,010	35,955,614
Total capital assets, being depreciated/amortized	63,702,009	473,283	(336,868)	40,010	63,878,434
Less accumulated depreciation					
Buildings and improvements	1,572,012	63,675	-	-	1,635,687
Right-to-use leased assets	22,836	7,612	-	-	30,448
Equipment	1,725,483	173,387	(200,770)	-	1,698,100
Street and drainage improvements	11,912,088	434,344	-	-	12,346,432
Waterworks and sewer system	6,999,006	553,220	-	-	7,552,226
Total accumulated depreciation/amortization	22,231,425	1,232,238	(200,770)	-	23,262,893
Total capital assets being depreciated/amortized, net	41,470,584	(758,955)	(136,098)	40,010	40,615,541
Business-type activities capital assets, net	\$ 42,615,064	\$ (375,432)	\$ (136,098)	\$ -	\$ 42,103,534

Depreciation expense was charged as direct expense to programs of the primary government as follows:

Governmental Activities	
General government	\$ 631,560
Public safety	440,432
Culture and recreation	290,185
Public works	1,341,467
Internal Service Fund	353,927
Total depreciation/amortization expense - Governmental Activities	\$ 3,057,571
Business-type activities	
Water and wastewater	\$ 739,730
Drainage	452,705
Internal Service Fund	39,803
Total depreciation/amortization expense - Business-type Activities	\$ 1,232,238

During the year ended September 30, 2025, \$2,426,069 and \$195,928 of internal service fund capital assets were recorded in governmental activities and business-type activities, respectively, on the accompanying statement of net position. Additionally, \$353,927 and \$39,803 of internal service fund depreciation expense were recorded in governmental activities and business-type activities, respectively, on the accompanying statement of activities.

City of Watauga, Texas

Notes to the Basic Financial Statements

Construction in progress and remaining commitments under construction related construction contracts at September 30, 2025 are as follows:

Project Name	Remaining Commitment	Total in Progress
Governmental Activities		
Whitley Road - Phase 5	\$ 24,242	\$ 779,412
Arcadia Trail Design	24,056	-
Park Vista Park	63,635	30,778
Pole Barn	89,892	89,892
Watauga Road 1	-	745,488
Security System	-	9,000
HVAC Rec Center	557,973	151,358
Public Works Parking Lot	24,375	73,125
Water/ Wastewater Group 3	866,207	1,446,837
Hightower Road Phase One	126,533	1,567,459
Ambulance	-	381,580
CDBG 4TH Year	-	2,498
Tarrant County Streets	240,381	340,278
Business Incubator Project	-	70,850
Total governmental activities	\$ 2,017,294	\$ 5,688,555
Business-type Activities:		
Water, Sewer and Drainage Projects	\$ 4,055,962	\$ 582,634
Sanitary Sewer Evaluation Study - Phase Two	-	224,688
CDBG	1,206	5,909
Park Vista Storm Drainage	-	166,825
Bunker Hill Drainage	139,170	88,530
Whitley Road	7,599,391	130,500
Wastewater Phase Two (North)	-	197,907
Total business-type activities	\$ 11,795,729	\$ 1,396,993

Note 5. Long-Term Debt

Compensated absences, OPEB and pension liabilities are generally liquidated by the General Fund, Water and Sewer Fund, and the Drainage Utility Fund.

City of Watauga, Texas

Notes to the Basic Financial Statements

During the fiscal year ended September 30, 2025, the City issued Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2025 in amount of \$10,225,000 with an interest rate of 4.125% to 5% and a premium in the amount of \$418,846. The proceeds will be used for the purposes of paying contractual obligations of the City to be incurred for making permanent public improvements and for other public purposes, to-wit: constructing, acquiring, purchasing, renovating, enlarging, and improving the City's utility system; designing, constructing, renovating, improving, and equipping the City's parks and recreational facilities; constructing, acquiring, purchasing, renovating, enlarging, and improving City administrative facilities; acquiring public safety equipment and vehicles, including an ambulance; constructing street improvements (including utilities repair, replacement, and relocation), curbs, gutters, and sidewalk improvements, including drainage and traffic safety signalization and signage incidental thereto; the purchase of materials, supplies, equipment, digital signage, machinery, landscaping, land, and rights-of-way for authorized needs and purposes relating to the aforementioned capital improvements; and payment for professional and employee services relating to the design, construction, project management, inspection, consultant services, and financing of the aforementioned projects.

The following is a summary of long-term debt transactions of the City for the year ended September 30, 2025:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year	Due Within One Year
Governmental activities:					
General obligation bonds	\$ 230,000	\$ -	\$ (115,000)	\$ 115,000	\$ 115,000
Certificates of obligation	30,525,000	8,740,000	(3,325,000)	35,940,000	2,615,000
Tax Notes	100,000	-	(100,000)	-	-
Lease Payable	317,968	-	(90,385)	227,583	62,879
SBITA Payable	77,053	-	(25,220)	51,833	25,334
Unamortized bond premium	1,393,397	228,251	(89,875)	1,531,773	-
Note payable	2,716	-	(2,716)	-	-
Arbitrage payable	196,076	428,171	(92,892)	531,355	-
Compensated absences*	1,726,829	809,339	-	2,536,168	110,557
Net Pension liability	7,959,450	-	(1,861,787)	6,097,663	-
Net OPEB liability	980,124	42,829	-	1,022,953	-
Total governmental activities	43,508,613	10,248,590	(5,702,875)	48,054,328	2,928,770
Business-type activities:					
General obligation bonds	3,925,000	-	(620,000)	3,305,000	635,000
Certificates of obligation	16,000,000	1,485,000	(865,000)	16,620,000	925,000
Lease Payable	13,261	-	(8,774)	4,487	4,487
Unamortized bond premium	932,380	38,716	(82,803)	888,293	-
Compensated absences*	95,350	92,242	-	187,592	7,437
Net Pension liability	1,516,085	-	(354,625)	1,161,460	-
Net OPEB liability	186,691	8,157	-	194,848	-
Total business-type activities	22,668,767	1,624,115	(1,931,202)	22,361,680	1,571,924
Total government-wide activities	\$ 66,177,380	\$ 11,872,705	\$ (7,634,077)	\$ 70,416,008	4,500,694

* Compensated absences are reported as a net change for the year as allowed under the provisions of GASB 101, paragraph 30.

City of Watauga, Texas

Notes to the Basic Financial Statements

A. General Obligation Bonds and Certificates of Obligation

General Obligation Bonds are direct obligations issued on a pledge of the general taxing power for the payment of the debt obligations of the City. General Obligation Bonds and Certificates of Obligation require the City to compute, at the time other taxes are levied, the rate of tax required to provide (in each year bonds are outstanding) a fund to pay interest and principal at maturity. The City is in compliance with this requirement.

General obligations bonds and certificates of obligation payable at September 30, 2025, are comprised of the following individual issues:

	Governmental	Business-type
\$3,400,000 Series 2007 Combination Tax and Limited Pledge Revenue Certificates of Obligation due in annual installments of \$65,000 to \$255,000 through February 1, 2027; interest at 4.11%.	\$ 500,000	\$ -
\$3,500,000 Series 2014 Combination Tax and Limited Pledge Revenue Certificates of Obligation due in annual installments of \$85,000 to \$900,000 through February 2034; interest at 2.25% to 3.50%.	1,025,000	-
\$5,885,000 Series 2016 Combination Tax and Limited Pledge Revenue Certificates of Obligation due in annual installments of \$285,000 to \$355,000 through February 2036; interest at 2.125% to 4.00%	3,545,000	-
\$7,325,000 Series 2017 Certificates of Obligation due in annual installments of \$245,000 to \$480,000 through February 1, 2037; interest at 3.00%.	-	4,930,000
\$6,780,000 Series 2018 Certificates of Obligation due in annual installments of \$245,000 to \$480,000 through February 1, 2038; interest at 3.00% to 5.00%.	4,405,000	-
\$8,490,000 Series 2019 Combination Tax and Limited Pledge Revenue Certificates of Obligation due in annual installments of \$195,000 to \$555,000 through February 1, 2039; interest at 2.00% to 5.00%	60,000	6,725,000
\$2,910,000 Series 2020 Combination Tax and Limited Pledge Revenue Certificates of Obligation due in annual installments of \$115,000 to \$205,000 through February 1, 2040; interest at 1.50% to 3.00%	2,115,000	-
\$1,715,000 Series 2020 General Obligation Refunding Bonds due in annual installments of \$115,000 to \$235,000 through February 1, 2026; interest at 1.17%.	115,000	235,000
\$4,540,000 Series 2021 Combination Tax and Limited Pledge Revenue Certificates of Obligation due in annual installments of \$185,000 to \$295,000 through February 1, 2041; interest at 2.00% - 4.00%.	3,420,000	-
\$4,200,000 Series 2021 General Obligation Refunding Bonds due in annual installments of \$365,000 to \$470,000 through February 1, 2032; interest at 2.00% - 4.00%.	-	3,070,000
\$4,930,000 Series 2022 Combination Tax and Limited Pledge Revenue Certificates of Obligation due in annual installments of \$105,000 to \$1,070,000 through February 1, 2042; interest at 4.00%.	2,925,000	225,000
\$8,820,000 Series 2023 Combination Tax and Limited Pledge Revenue Certificates of Obligation due in annual installments of \$285,000 to \$1,415,000 through February 2033; interest at 5.00%.	7,120,000	-
\$10,225,000 Series 2025 Combination Tax and Limited Pledge Revenue Certificates of Obligation due in annual installments through February 2045; interest at 4.125% - 5.00%	8,740,000	1,485,000
\$6,925,000 Series 2024 Combination Tax and Limited Pledge Revenue Certificates of Obligation due in annual installments of \$160,000 to \$1,585,000 through February 2044; interest at 4.00% - 5.00%	2,085,000	3,255,000
Total bonds payable	\$ 36,055,000	\$ 19,925,000

City of Watauga, Texas

Notes to the Basic Financial Statements

B. Annual Requirements to Retire Debt Obligations

The annual aggregate maturities for each type of debt obligation for the years subsequent to September 30, 2025, are as follows:

General Obligation Bonds

	Governmental Activities		Business-type Activities		Total
	Principal	Interest	Principal	Interest	
2026	\$ 115,000	\$ 673	\$ 635,000	\$ 78,125	\$ 828,798
2027	-	-	415,000	64,525	479,525
2028	-	-	425,000	51,925	476,925
2029	-	-	440,000	38,950	478,950
2030	-	-	455,000	25,525	480,525
2031-2032	-	-	935,000	18,750	953,750
	<u>\$ 115,000</u>	<u>\$ 673</u>	<u>\$ 3,305,000</u>	<u>\$ 277,800</u>	<u>\$ 3,698,473</u>

Certificates of Obligation

	Governmental Activities		Business-type Activities		Total
	Principal	Interest	Principal	Interest	
2026	\$ 2,615,000	\$ 1,283,829	\$ 925,000	\$ 525,492	\$ 5,349,321
2027	2,275,000	1,202,458	1,095,000	485,829	5,058,287
2028	1,990,000	1,116,747	975,000	441,904	4,523,651
2029	2,065,000	1,038,228	1,005,000	405,654	4,513,882
2030	2,110,000	961,550	1,040,000	376,879	4,488,429
2031-2035	10,390,000	3,692,824	5,685,000	1,400,695	21,168,519
2036-2040	9,080,000	1,910,615	4,470,000	574,053	16,034,668
2041-2045	5,415,000	475,865	1,425,000	134,772	7,450,637
	<u>\$ 35,940,000</u>	<u>\$ 11,682,116</u>	<u>\$ 16,620,000</u>	<u>\$ 4,345,278</u>	<u>\$ 68,587,394</u>

City of Watauga, Texas

Notes to the Basic Financial Statements

Lease Payable

The City has entered into multiple lease agreements as lessee. The leases allow the right-to-use equipment over the term of the lease. The City makes monthly or annual payments at its incremental borrowing rate or the interest rate stated or implied within the leases. The lease rate, term and ending liability are as follows:

<u>Governmental activities</u>	<u>Interest Rate</u>	<u>Ending Balance</u>	
Office leases	3%	\$ 227,583	
<u>Years</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2026	\$ 62,878	\$ 6,574	\$ 69,452
2027	25,463	4,941	30,404
2028	26,227	4,177	30,404
2029	27,014	3,390	30,404
2030	27,824	2,580	30,404
Thereafter	58,177	2,632	60,809
	<u>\$ 227,583</u>	<u>\$ 24,294</u>	<u>\$ 251,877</u>

The value of the right-to-use assets at the end of the current fiscal year was \$610,442 with accumulated amortization of \$313,803.

<u>Business-type activities</u>	<u>Interest Rate</u>	<u>Ending Balance</u>	
Office leases	3%	\$ 4,487	
<u>Years</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$ 4,487	\$ 39	4,526
	<u>\$ 4,487</u>	<u>\$ 39</u>	<u>\$ 4,526</u>

The value of the right-to-use assets at the end of the current fiscal year was \$38,060 with accumulated amortization of \$30,448.

City of Watauga, Texas

Notes to the Basic Financial Statements

Subscription-based IT Arrangements

The City leases certain software under subscription-based IT arrangements (SBITA).

In June 2024, the City entered into a 2.7-year subscription arrangement for the use of certain software. An initial subscription liability was recorded in the amount of \$29,118. As of September 30, 2025, the value of the subscription liability was \$14,204. The City is required to make annual principal and interest payments of \$14,914. The subscription has an implicit interest rate of 5.00%. The value of the right-to-use asset as of September 30, 2025 was \$29,118 with accumulated amortization of \$14,380.

In June 2024, the City entered into a five-year subscription arrangement for the use of certain software. An initial subscription liability was recorded in the amount of \$60,149. As of September 30, 2025, the value of the subscription liability was \$37,629. The City is required to make annual principal and interest payments ranging from \$12,703 to \$14,569. The subscription has an implicit interest rate of 5.00%. The value of the right-to-use asset as of September 30, 2025 was \$60,149 with accumulated amortization of \$16,040.

The future principal and interest lease payments as of September 30, 2025 were as follows:

<u>Governmental activities</u>	<u>Interest Rate</u>	<u>Ending Balance</u>	
Software	5%	\$	51,833
<u>Years</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$ 25,534	\$ 2,591	\$ 28,125
2027	12,424	1,315	13,739
2028	13,875	694	14,569
	<u>\$ 51,833</u>	<u>\$ 4,600</u>	<u>\$ 56,433</u>

Arbitrage Liability

The Tax Reform Act of 1986 instituted certain arbitrage restrictions consisting of complex regulations with respect to issuance of tax-exempt bond proceeds at an interest yield greater than the interest yield paid to bondholders. Generally all interest paid to bondholders can be retroactively rendered table if applicable rebates are not reported and paid to the Internal Revenue Service at least every five years for applicable bond issues. Accordingly, there is the risk that if such calculations are not performed or performed correctly, a liability to the City could result. The City periodically engages an arbitrage consult to perform the calculations in accordance with the Internal Revenue Service's rules and regulations. The City has recorded an arbitrage liability in the amount of \$531,355 as of September 30, 2025.

City of Watauga, Texas

Notes to the Basic Financial Statements

Note 6. Interfund Receivables, Payables, and Transfers

All interfund transfers between the various funds are approved supplements to the operations of those funds. At September 30, 2025, transfers in/out for governmental and proprietary funds are as follows:

Transfers In	Transfers Out	Amounts
General Fund	Nonmmajor Fund	\$ 311,640
General Fund	Drainage Utility Fund	74,000
General Fund	Nonmmajor Fund	38,000
General Fund	Water and Sewer Fund	487,000
Capital Projects Fund	General Fund	648,000
Debt Service Fund	Nonmmajor Fund	150,000
Internal service fund	Drainage Utility Fund	120,000
Nonmmajor Fund	Nonmmajor Fund	100,000
Internal service fund	Water and Sewer Fund	265,000
		<u>\$ 2,193,640</u>

Transfers are primarily used to move funds to:

- General Fund from Nonmajor Fund for general and administration charges. The General Fund pays for these services and the amount of transfer is calculated annually by an estimate of personnel hours that spent on economic development projects and tasks.
- Debt Service Fund from Nonmajor Fund for the payment of debt service requirements for authorized WEDC funded projects.
- General Fund from Drainage Utility Fund for general and administrative charges.
- General Fund from Nonmajor Fund for general and administrative charges.
- General Fund from Water and Sewer Fund for general and administrative charges.
- Capital Projects Fund from the general fund for the payment of sidewalk replacements and street repairs and overlays.
- Internal Service Fund from the General Fund for the payment of capital outlay items.
- Internal Service Fund from the Water and Sewer Fund for payment of general and administrative charges.
- Internal Service Fund from the Drainage Utility Fund for payment of general and administrative charges.
- Nonmajor fund to nonmajor fund to set aside funds for capital improvements.

City of Watauga, Texas

Notes to the Basic Financial Statements

Note 7. Pension Plan

The City participates as one of 938 plans in the defined benefit cash-balance plan administered by the Texas Municipal Retirement System (TMRS). TMRS is a statewide public retirement plan created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for employees of Texas participating cities. The TMRS Act places the general administration and management of TMRS with a six-member, Governor-appointed Board of Trustees; however, TMRS is not fiscally dependent on the State of Texas. TMRS issues a publicly available Annual Comprehensive Financial Report (Annual Report) that can be obtained at [tmrs.com](https://www.tmrsonline.com).

All eligible employees of the City are required to participate in TMRS.

A. Benefits Provided

TMRS provides retirement, disability, and death benefits. Benefit provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS.

At retirement, the Member's benefit is calculated based on the sum of the Member's contributions, with interest, and the city-financed monetary credits with interest. The retiring Member may select one of seven monthly benefit payment options. Members may also choose to receive a portion of their benefit as a lump sum distribution in an amount equal to 12, 24 or 36 monthly payments, which cannot exceed 75% of the total Member contributions and interest.

The plan provisions are adopted by the City Council, within the options available in the state statutes governing TMRS. Plan provisions for the City were as follows:

Employee deposit rate	7.00%
Matching ration (city to employee)	2 TO 1
Years required for vesting	5
Updated Service Credit	100% Repeating Transfers
Annuity Increase (to retirees)	70% of CPI Repeating

Members can retire at ages 60 and above with 5 or more years of service or with 20 years of service regardless of age.

B. Employees covered by benefit terms

At the December 31, 2024 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	158
Inactive employees entitled to but not yet receiving benefits	188
Active employees	166
	512

City of Watauga, Texas

Notes to the Basic Financial Statements

C. Contributions

Member contribution rates in TMRS are either 5%, 6% or 7% of the Member's total compensation, and the City matching percentages are either 100%, 150% or 200%, both as adopted by the governing body of the City. Under the state law governing TMRS, the contribution rate for each City is determined annually by the actuary, using the Entry Age Normal (EAN) actuarial cost method. The City's contribution rate is based on the liabilities created from the benefit plan options selected by the City and any changes in benefits or actual experience over time.

Employees for the City were required to contribute 7.00% of their annual compensation during the fiscal year. The contribution rates for the City were 16.53% and 17.45% in calendar years 2024 and 2025, respectively. The city's contributions to TMRS for the year ended September 30, 2025 were \$2,312,414, and were equal to the required contributions.

D. Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2024, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

Actuarial assumptions

The Total Pension Liability in the December 31, 2024 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50% per year
Overall payroll growth	2.75% per year, adjusted down for population declines, if any
Investment Rate of Return	6.75%, net of pension plan investment expense, including inflation

Salary increases are based on a service-related table. Mortality rates for active members are based on the PUB(10) mortality tables with the Public Safety table used for males and the General Employee table used for females. Mortality rates for healthy retirees and beneficiaries are based on the Gender-distinct 2019 Municipal Retirees of Texas mortality tables. Male rates are multiplied by 103% and female rates are multiplied by 105%. The rates for actives, healthy retirees and beneficiaries are projected on a fully generational basis by the most recent Scale MP-2021 to account for future mortality improvements. For disabled annuitants, the same mortality tables for healthy retirees are used with a 4- year set-forward for males and a 3-year set-forward for females. In addition, a 3.5% and 3.0% minimum mortality rate is applied, for males and females respectively, to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by the most recent Scale MP-2021 to account for future mortality improvements subject to the 3% floor.

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four-year period from December 31, 2018 to December 31, 2022. The assumptions were adopted in 2023 and first used in the December 31, 2023, actuarial valuation. The post-retirement mortality assumption for Annuity Purchase Rates (APRs) is based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income to satisfy the short-term and long-term funding needs of TMRS.

City of Watauga, Texas

Notes to the Basic Financial Statements

The long-term expected rate of return on pension plan investments was determined by best estimate ranges of expected returns for each major asset class. The long-term expected rate of return is determined by weighting the expected return for each major asset class by the respective target asset allocation percentage. The target allocation and best estimates of the expected return for each major asset class in fiscal year 2025 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Global Public Equity	35.0%	7.10%
Core Fixed Income	6.0%	5.00%
Non-Core Fixed Income	6.0%	6.80%
Hedge Funds	5.0%	6.40%
Private Equity	13.0%	8.50%
Private Debt	13.0%	8.20%
Real Estate	12.0%	6.70%
Infrastructure	6.0%	6.00%
Other Public and Private Markets	4.0%	7.30%
Total	100.0%	

Discount Rate

The discount rate used to measure the Total Pension Liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that Member and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive Members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

Changes in Net Pension Liability

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balance at December 31, 2023	\$ 73,446,151	\$ 63,970,615	\$ 9,475,536
Changes for the year:			
Service cost	2,263,507.00	-	2,263,507
Interest (on the Total Pension Liability)	4,881,134.00	-	4,881,134
Change in benefit terms	(726,934)	-	(726,934)
Difference between expected and actual experience	913,328	-	913,328
Changes of assumptions	-	-	-
Contributions - employer	-	2,068,311	(2,068,311)
Contributions - employee	-	875,873	(875,873)
Net investment income	-	6,646,889	(6,646,889)
Benefit payments, including refunds of employee contributions	(3,075,751)	(3,075,751)	-
Administrative expense	-	(42,629)	42,629
Other	-	(996)	996
Balance at December 31, 2024	\$ 77,701,435	\$ 70,442,312	\$ 7,259,123

City of Watauga, Texas

Notes to the Basic Financial Statements

Sensitivity of the net pension liability to changes in the discount rate

The following presents the Net Pension Liability of the City, calculated using the discount rate of 6.75%, as well as what the City's Net Pension Liability would be if it were calculated using a discount rate that is 1 percentage point lower (5.75%) or 1 percentage point higher (7.75%) than the current rate:

	1% Decrease (5.75%)	Current Single Rate Assumption	1% Increase (7.75%)
City's net pension liability	\$ 18,454,650	\$ 7,259,123	\$ (1,884,481)

E. Pension Plan Fiduciary Net Position

Detailed information about the pension plan's Fiduciary Net Position is available in the Schedule of Changes in Fiduciary Net Position, by Participating City. That report may be obtained at trms.com.

F. Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended September 30, 2025 the city recognized pension expense of \$2,449,672.

At September 30, 2025, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences in expected and actual experience	\$ 934,288	\$ -
Difference in projected and actual earnings on pension plan investments	-	(742,658)
Employer contributions made after the measurement date	1,756,860	-
Totals	\$ 2,691,148	\$ (742,658)

\$1,756,860 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the measurement year ending December 31, 2025 (i.e., recognized in the City's financial statements for the year ending September 30, 2026.)

Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year	Net Deferred Outflows (Inflows) of Resources
2026	\$ 682,621
2027	994,450
2028	(1,018,668)
2029	(466,773)
Totals	\$ 191,630

City of Watauga, Texas

Notes to the Basic Financial Statements

Note 8. Other Postemployment Benefits

A. TMRS Supplemental Death Benefits Plan

Benefit Plan Description

The City contributes to a single employer defined benefit group term life insurance plan known as the Supplemental Death Benefits Fund (SDBF). Texas Municipal Retirement System (TMRS) administers a defined benefit group-term life insurance plan. This is a voluntary program in which participating member cities may elect, by ordinance, to provide group-term life insurance coverage for their active members, including or not including retirees. The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings, for the 12-month period preceding the month of death). The death benefit for retirees is considered another postemployment benefit (OPEB) and is a fixed amount of \$7,500. As the SDBF covers both active and retiree participants, with no segregation of assets, the SDBF is considered to be an unfunded OPEB plan (i.e., no assets are accumulated).

The member city contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year. The intent is not to pre-fund retiree term life insurance during employees' entire careers.

Membership in the plan as of the measurement date of December 31, 2024 was as follows:

Inactive employees or beneficiaries currently receiving benefits	97
Inactive employees entitled to but not yet receiving benefits	27
Active employees	166
Total	290

Contributions

Contributions are made monthly based on the covered payroll of employee members of the participating member city. The contractually required contribution rate is determined annually for each city (currently 0.17% of covered payroll). The rate is based on the mortality and service experience of all employees covered by the SDBF and the demographics specific to the workforce of the city. There is a one-year delay between the actuarial valuation that serves as the basis for the employer contribution rate and the calendar year when the rate goes into effect. The funding policy of this plan is to assure that adequate resources are available to meet all death benefit payments for the upcoming year; the intent is not to prefund retiree term life insurance during employees' entire careers. As such, contributions are utilized to fund active member deaths on a pay-as-you-go basis; any excess contributions and investment income over payments then become net position available for benefits.

Discount Rate

The TMRS SDBF program is treated as unfunded OPEB plan because the SDBF trust covers both actives and retirees and the assets are not segregated for these groups. Under GASB 75, the discount rate for an unfunded OPEB plan should be based on 20-year tax-exempt AA or higher Municipal Bonds. Therefore, a discount rate of 4.08% based on the Bond Buyer "20-Bond GO Index" rate closest to, but not later than December 31, 2024.

City of Watauga, Texas

Notes to the Basic Financial Statements

Actuarial Assumptions

The City's Total OPEB Liability (TOL) was measured at December 31, 2024 and was determined by an actuarial valuation as of that date using the following actuarial assumptions:

Actuarial Cost Method	Entry Age Normal
Inflation	2.50%
Salary Increases	3.60% to 11.85% including inflation
Discount Rate	4.08%

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct 2019 Municipal Retirees of Texas mortality tables and due to the size of the City, rates are multiplied by an additional factor of 103% for males and 105% for females. The rates are projected on a fully generational basis by Scale MP-2021 to account for future mortality improvements. For disabled annuitants, the mortality tables for healthy retirees is used with a 4-year set-forward for males and a 3-year set-forward for females. In addition, a 3.5% and 3% minimum mortality rate is applied to reflect the impairment for younger members who become disabled for males and females, respectively.

The rates are projected on a fully generational basis by Scale MP-2021 to account for future mortality improvements subject to the floor.

Changes in Total OPEB Liability

	Total OPEB Liability
Balance at December 31, 2023	\$ 540,419
Changes for the year:	
Service cost	18,769
Interest (on the Total OPEB Liability)	20,445
Difference between expected and actual experience	(8,867)
Changes of assumptions	(27,470)
Benefit payments	(15,015)
Balance at December 31, 2024	\$ 528,281

City of Watauga, Texas

Notes to the Basic Financial Statements

Sensitivity Analysis

The following presents the Total OPEB Liability of the employer, calculated using the discount rate of 4.08%, as well as what the City's Total OPEB Liability would be if it were calculated using a discount rate that is 1 percentage point lower (3.08%) or 1 percentage point higher (5.08%) than the current rate. Note that the healthcare cost trend rate does not affect the Total OPEB Liability, so sensitivity to the healthcare cost trend rate is not shown.

1% Decrease 3.08%	Current Single Rate Assumption 4.08%	1% Increase 5.08%
\$ 624,748	\$ 528,281	\$ 452,096

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended September 30, 2025, the City recognized OPEB expense of \$24,440, which included \$15,280 relating to the SDBF plan and \$9,160 relating to the WHCP plan.

As of September 30, 2025, the City reported deferred outflows of resources and deferred inflows of resources related to SDBF OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences in expected and actual experience	\$ 16,905	\$ (19,788)
Differences in assumption changes	8,673	(110,896)
Employer contributions made after the measurement date	17,045	-
	-	-
Totals	\$ 42,623	\$ (130,684)

The \$17,045 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the OPEB liability in the measurement year ending December 30, 2025 (i.e., recognized in the City's financial statements for the year ending September 30, 2026.)

Amounts currently reported as deferred outflows of resources related to OPEBs, excluding contributions subsequent to the measurement date, will be recognized in OPEB expense as follows:

Fiscal Year	Net Deferred Outflows (Inflows) of Resources
2026	\$ (38,347)
2027	(46,695)
2028	(12,850)
2029	(7,214)
2030	-
Total	\$ (105,106)

City of Watauga, Texas

Notes to the Basic Financial Statements

B. City of Watauga Retiree Health Care Plan

Plan description

The City's defined benefit OPEB plan, City of Watauga Retiree Health Care Plan (WHCP), provides OPEB through an implicit healthcare premium for retirees for all permanent full-time employees of the City. WHCP is a single employer defined benefit OPEB plan administered by the City. At this time, no assets are accumulated in a trust to fund the future requirements of the WHCP.

Benefits provided

WHCP provides access to post retirement employees by offering a "blended premium" structure, that is, the overall health care premiums for active employees and non-Medicare retirees, are stated in terms of a single "blended premium". The difference between the underlying retiree claims and the blended overall health care premium is referred to as an "implicit" subsidy. Because the underlying claims costs for a non-Medicare retiree are on average higher than the blended premium, there is a positive implicit subsidy for the non-Medicare retirees.

Employees covered by benefit terms. At September 30, 2025, the following employees were covered by the benefit terms:

Retirees and beneficiaries	-
Active members	150
Total	150

Total OPEB Liability

The City's total OPEB liability of \$689,520 was measured as of December 31, 2024 and was determined by an actuarial valuation as of December 31, 2024.

Actuarial Assumptions

The total OPEB liability in the December 31, 2024 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Actuarial Cost Method	Individual Entry-Age
Inflation	2.50%
Salary Increases	3.60% to 11.85%, including inflation
Discount Rate	4.08%

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct 2019 Municipal Retirees of Texas mortality tables and due to the size of the City, rates are multiplied by an additional factor of 103% for males and 105% for females. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements. For disabled annuitants, the mortality tables for healthy retirees is used with a 4 year set-forward for males and a 3-year set-forward for females. In addition, a 3.5% and 3% minimum mortality rate is applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor. Mortality rates for pre-retirement were based on the PUB (10) mortality tables, with the Public Safety table used for males and General Employee table used for females. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements.

City of Watauga, Texas

Notes to the Basic Financial Statements

Discount Rate

Because the WHCP is unfunded or pay-as-you go, the discount rate is based on 20-year tax-exempt AA or higher Municipal Bonds or 4.08% as of the measurement date of December 31, 2024 based on the 20 Year Bond GO Index published by bondbuyer.com.

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at December 31, 2023	\$ 626,396
Changes for the year:	
Service cost	63,701
Interest (on the Total OPEB Liability)	24,816
Difference between expected and actual experience	(3,942)
Changes of assumptions	(21,451)
Benefit payments	-
Balance at December 31, 2024	\$ 689,520

Changes of assumptions reflect a change in the discount rate from 3.77% as of December 31, 2023 to 4.08% as of December 31, 2024, revised TMRS demographic and salary increase assumptions, and updates to the health care trend assumption to better reflect the plan's anticipated experience.

Sensitivity of the total OPEB liability to changes in the discount rate

The following presents the plan's total OPEB liability, calculated using a discount rate of 4.08%, as well as what the plan's total OPEB liability would be if it were calculated using a discount rate that is one percent lower or one percent higher:

1% Decrease 3.08%	Current Single Rate Assumption 4.08%	1% Increase 5.08%
\$ 761,424	\$ 689,520	\$ 624,515

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates

The following presents the plan's total OPEB liability, calculated using the assumed trend rates as well as what the plan's total OPEB liability would be if it were calculated using a trend rate that is one percent lower or one percent higher:

1% Decrease	Current Healthcare Cost Trend Rate Assumption	1% Increase
\$ 603,647	\$ 689,520	\$ 791,406

City of Watauga, Texas

Notes to the Basic Financial Statements

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended September 30, 2025, the City recognized OPEB expense of \$24,440, which included \$15,280 relating to the SDBF plan and \$9,160 relating to the WHCP plan. On September 30, 2025, the City reported deferred outflows of resources and deferred inflows of resources related to the WHCP OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences in expected and actual experience	\$ 40,350	\$ (377,864)
Differences in assumption changes	102,909	(280,624)
Employer contributions made after the measurement date	886	-
Totals	\$ 144,145	\$ (658,488)

The \$886 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the OPEB liability in the measurement year ending December 30, 2025 (i.e., recognized in the City's financial statements for the year ending September 30, 2026.)

Amounts currently reported as deferred outflows of resources related to the WHCP OPEB, excluding contributions subsequent to the measurement date, will be recognized in OPEB expense as follows:

Fiscal Year	Net Deferred Outflows (Inflows) of Resources
2026	\$ (82,207)
2027	(82,177)
2028	(77,210)
2029	(79,216)
2030	(84,286)
Thereafter	(110,133)
Total	\$ (515,229)

Note 9. Risk Management

The City is exposed to various risks of loss related to torts such as: theft of, damage to, and destruction of assets, errors and omissions, injuries to employees, and natural disasters. The City participates in the Texas Municipal League Intergovernmental Risk Pool (Risk Pool) to provide general liability and property insurance and workers' compensation.

The City, along with other participating entities, contributes annual amounts determined by the Risk Pool. Contributions to the Risk Pool for workers' compensation are based on the City's payroll. As claims arise they are submitted to and paid by the Risk Pool.

City of Watauga, Texas

Notes to the Basic Financial Statements

The liability of the Texas Municipal League Intergovernmental Risk Pool is limited to a \$2,000,000 annual aggregate for general liability, errors and omissions, and law enforcement. The automobile liability limit for the risk pool is \$1,000,000 for each occurrence.

There have been no significant changes in insurance coverage as compared to last year. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

Note 10. Litigation

Various claims and lawsuits are pending against the City of Watauga. In the opinion of the City's Legal Counsel and Management, the potential losses will not have a material effect on the City's financial statements.

Note 11. Fund Balance Restrictions

Amounts that can be spent only for specific purposes because of local, state or federal laws, or externally imposed conditions by grantors or creditors are classified as restricted fund balance. A summary of restricted fund balance in the governmental funds at September 30, 2025, follows:

	Debt Service Funds	Capital Projects Fund	Non Major Governmental Funds	Total
Capital acquisitions and contractual obligations	\$ -	\$ 28,490,511	\$ 45,975	\$ 28,536,486
Debt service	1,325,603	-	-	1,325,603
Economic Development	-	-	3,304,574	3,304,574
Culture and recreation:				
PEG Fees	-	-	161,259	161,259
Library purposes	-	-	82,231	82,231
	-	-	243,490	243,490
Public works:				
Street maintenance	-	-	6,637	6,637
	-	-	6,637	6,637
Public safety:				
Law enforcement	-	-	1,271,177	1,271,177
Municipal court operations	-	-	188,019	188,019
	-	-	1,459,196	1,459,196
Total	\$ 1,325,603	\$ 28,490,511	\$ 5,059,872	\$ 34,875,986

Note 12. Expenditures in Excess of Budget

During year ended September 30, 2025, the Municipal Court Truancy Special Revenue fund had expenditures in excess of budget of \$243.

Required Supplementary Information

City of Watauga, Texas

Budgetary Comparison Schedule

General Fund

For the fiscal year ended September 30, 2025

	Original	Final	Actual Amounts	Variance with Final Budget Positive (Negative)
Revenues				
Taxes and franchise fees	\$ 13,650,480	\$ 13,650,480	\$ 13,388,149	\$ (262,331)
Licenses and permits	825,500	910,500	937,898	27,398
Charges for services	1,351,500	1,351,500	1,367,242	15,742
Fines and forfeitures	590,500	590,500	623,860	33,360
Interest income	380,000	380,000	448,191	68,191
Intergovernmental	561,000	561,000	561,000	-
Miscellaneous	572,200	572,200	836,410	264,210
Total revenues	17,931,180	18,016,180	18,162,750	146,570
Expenditures				
Current:				
Administration	670,500	670,500	635,773	34,727
Non-departmental	917,350	917,350	987,386	(70,036)
Human resources	339,850	339,850	321,856	17,994
Finance	650,660	650,660	630,029	20,631
Information Technology	703,850	703,850	676,089	27,761
Municipal Court	461,790	461,790	451,172	10,618
Library	1,244,700	1,244,700	1,203,008	41,692
Recreation and community services	1,639,100	1,639,100	1,543,410	95,690
Police	5,278,200	5,278,200	5,361,538	(83,338)
Fire/EMS	4,129,640	4,129,640	4,063,308	66,332
Public works	1,087,470	1,087,470	1,012,966	74,504
Fleet maintenance	559,150	616,150	625,548	(9,398)
Buildings	1,041,400	1,041,400	1,057,020	(15,620)
Total expenditures	18,723,660	18,780,660	18,569,103	211,557
Excess (deficiency) of revenues over expenditures	(792,480)	(764,480)	(406,353)	358,127
Other Financing Sources				
Transfers in	911,640	954,114	953,114	1,000
Transfers out	(648,000)	(690,474)	(690,474)	-
Total other financing sources	263,640	263,640	262,640	1,000
Net change in fund balances	(528,840)	(500,840)	(143,713)	359,127
Fund balance, beginning of year	9,590,140	9,590,140	9,590,140	-
Fund balance, end of year	\$ 9,061,300	\$ 9,089,300	\$ 9,446,427	\$ 359,127

City of Watauga, Texas

Notes to Required Supplementary Budget Information
For the fiscal year ended September 30, 2025

BUDGETARY CONTROLS AND PROCEDURES

The City Charter follows these procedures in establishing the budgetary data reflected in the financial statements:

- Prior to August 1, the City Manager submits to the City Council a proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures/expenses and the means of financing them.
- The proposed budget and all supporting schedules are filed with the City Secretary when submitted to City Council.
- Public hearings are conducted to obtain taxpayer comments.
- Prior to September 15, the budget is adopted by affirmative vote of at least two thirds of the members of the City Council.
- The City Manager is authorized to transfer budgeted amounts between programs within a department; however, any revisions that alter the total expenditures of any department must be approved by the City Council.
- If at any time during a fiscal year, it is estimated by the City Manager that current year's expenditures in any fund will exceed available revenues (including fund balance at the start of the year), the City Manager shall recommend measures to the City Council to ensure that a positive fund balance is maintained.
- Budgets for the General, WEDC Sales Tax, Watauga Crime Control and Prevention, Library Donation, Municipal Court Security, Municipal Court Technology, Municipal Court Truancy, Traffic Safety, Street Maintenance Sales Tax, PEG, Debt Service and Enterprise funds are adopted on a basis consistent with generally accepted accounting principles. Budgeted amounts are as amended by the City Council. Such appropriations lapse at year-end.
- Budgetary data for the Capital Projects Fund has not been presented in the accompanying financial statements as such funds are budgeted over the life of the respective project and not on an annual basis. Accordingly, formal budgetary integration of the Capital Projects Fund is employed and comparison of actual results of operations to budgetary data for such funds is not presented.
- For all non-major special revenue funds and the debt service fund, no budget amendments were made. Therefore, only final budget is presented.
- Formal budgetary integration is employed as a management control device during the year for the General Fund, Special Revenue Funds, other than Jury Fees fund, Debt Service Funds and Enterprise Funds. Budgetary control is maintained at the departmental level.
- Budgetary data for the Enterprise Funds has not been presented since the reporting on such budgets is not legally required. Budgetary control is maintained at the departmental level.

City of Watauga, Texas

Schedule of Changes in Net Pension Liability and Related Ratios Last Ten Measurement Years

	Year Ended December 31									
	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
TOTAL PENSION LIABILITY										
Service cost	\$ 1,484,819	\$ 1,513,714	\$ 1,531,337	\$ 1,577,540	\$ 1,705,104	\$ 1,745,597	\$ 1,716,818	\$ 1,977,985	\$ 2,174,738	\$ 2,263,507
Interest (on the total pension liability)	2,804,072	2,907,277	3,067,400	3,256,548	3,483,534	3,748,335	3,963,566	4,215,293	4,586,111	4,881,134
Changes of benefit terms	-	-	-	-	-	-	-	-	-	(726,934)
Difference between expected and actual experience	(273,667)	(570,355)	(100,072)	22,136	441,878	(140,317)	140,168	1,682,599	1,583,619	913,328
Changes of assumptions	60,403	-	-	-	188,822	-	-	-	(477,471)	-
Benefit payments, including refunds of employee contributions	(1,071,136)	(1,083,810)	(1,890,714)	(1,548,423)	(1,566,087)	(2,267,132)	(2,034,085)	(2,409,607)	(2,551,719)	(3,075,751)
Net change in total pension liability	3,004,491	2,766,826	2,607,951	3,307,801	4,253,251	3,086,483	3,786,467	5,466,270	5,315,278	4,255,284
Total pension liability, beginning	39,851,333	42,855,824	45,622,650	48,230,601	51,538,402	55,791,653	58,878,136	62,664,603	68,130,873	73,446,151
TOTAL PENSION LIABILITY, ending (a)	\$ 42,855,824	\$ 45,622,650	\$ 48,230,601	\$ 51,538,402	\$ 55,791,653	\$ 58,878,136	\$ 62,664,603	\$ 68,130,873	\$ 73,446,151	\$ 77,701,435
PLAN FIDUCIARY NET POSITION										
Contributions - employer	\$ 1,245,119	\$ 1,197,145	\$ 1,259,752	\$ 1,289,939	\$ 1,342,209	\$ 1,450,407	\$ 1,479,088	\$ 1,714,251	\$ 1,818,242	\$ 2,068,311
Contributions - employee	652,873	636,779	642,263	664,427	695,961	714,990	696,276	809,702	863,481	875,873
Net investment income	51,790	2,428,960	5,418,502	(1,332,865)	6,732,579	3,849,392	7,096,692	(4,499,187)	6,629,122	6,646,889
Benefit payments, including refunds of employee contributions	(1,071,136)	(1,083,810)	(1,890,714)	(1,548,423)	(1,566,087)	(2,267,132)	(2,034,085)	(2,409,607)	(2,551,719)	(3,075,751)
Administrative expense	(31,544)	(27,433)	(28,079)	(25,758)	(38,033)	(24,904)	(32,829)	(38,930)	(42,156)	(42,629)
Other	(1,558)	(1,478)	(1,423)	1,155	(3,642)	(972)	225	46,456	(297)	(997)
Net change in plan fiduciary net position	845,544	3,150,163	5,400,301	(951,525)	7,162,987	3,721,781	7,205,367	(4,377,315)	6,716,673	6,471,696
Plan fiduciary net position, beginning	35,096,640	35,942,184	39,092,347	44,492,648	43,541,123	50,704,110	54,425,891	61,631,258	57,253,943	63,970,616
PLAN FIDUCIARY NET POSITION, ending (b)	\$ 35,942,184	\$ 39,092,347	\$ 44,492,648	\$ 43,541,123	\$ 50,704,110	\$ 54,425,891	\$ 61,631,258	\$ 57,253,943	\$ 63,970,616	\$ 70,442,312
NET PENSION LIABILITY/ (ASSET), ending (a) - (b)	\$ 6,913,640	\$ 6,530,303	\$ 3,737,953	\$ 7,997,279	\$ 5,087,543	\$ 4,452,245	\$ 1,033,345	\$ 10,876,930	\$ 9,475,535	\$ 7,259,123
Plan fiduciary net position as a percentage of total pension liability	83.87%	85.69%	92.25%	84.48%	90.88%	92.44%	98.35%	84.04%	87.10%	90.66%
Covered Payroll	\$ 9,326,755	\$ 9,096,836	\$ 9,175,179	\$ 9,491,816	\$ 9,942,297	\$ 10,214,144	\$ 9,946,803	\$ 11,567,166	\$ 12,335,438	\$ 12,512,476
Net pension liability as a percentage of covered payroll	74.13%	71.79%	40.74%	84.25%	51.17%	43.59%	10.39%	94.03%	76.82%	58.02%

City of Watauga, Texas
Schedule of Pension Contributions
Last Ten Fiscal Years

	Year Ended September 30									
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Actuarially Determined Contribution	\$ 1,194,583	\$ 1,259,325	\$ 1,274,565	\$ 1,332,221	\$ 1,459,430	\$ 1,462,002	\$ 1,653,540	\$ 1,927,488	\$ 2,000,175	\$ 2,312,414
Contributions in relation to the actuarially determined contribution	1,194,583	1,259,325	1,274,565	1,332,221	1,459,430	1,462,002	1,653,540	1,927,488	2,000,175	2,312,414
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 9,040,337	\$ 9,169,310	\$ 9,351,625	\$ 9,849,847	\$ 10,293,449	\$ 9,877,694	\$ 10,990,394	\$ 12,810,193	17,406,819	17,593,312
Contributions as a percentage of covered payroll	13.21%	13.73%	13.63%	13.53%	14.18%	14.80%	15.05%	15.05%	11.49%	13.14%

City of Watauga, Texas

Schedule of Pension Contributions - Continued Last Ten Fiscal Years

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method Level	Level Percentage of Payroll, Closed
Remaining Amortization Period	21 Years (longest amortization ladder)
Asset Valuation Method	10 Year smoothed market; 12% soft corridor
Inflation	2.50%
Salary Increases	3.60% to 11.85% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that vary by age. Last updated for the 2023 valuation pursuant to an experience study of the period ending 2022.
Mortality	Post-retirement 2019 Municipal Retirees of Texas Mortality Tables. Male rates are multiplied by 103% and female rates are multiplied by 105%. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence). Pre-retirement: PUB(10) mortality tables, with the 110% of the Public Safety table used for males and the 100% of the General Employee table used for females. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence).
Other Information:	
Notes	Adopted 70% non-retroactive repeating COLA.

City of Watauga, Texas

Schedule of Changes in Total OPEB Liability and Related Ratios Last Nine Measurement Years

Texas Municipal Retirement System - Supplemental Death Benefit Plan

	Year Ended December 31							
	2017	2018	2019	2020	2021	2022	2023	2024
Total OPEB Liability								
Service cost	\$ 20,185	\$ 24,679	\$ 20,879	\$ 27,578	\$ 29,840	\$ 37,015	\$ 16,036	\$ 18,769
Interest	14,766	15,283	16,178	15,117	13,122	12,955	20,533	20,445
Difference between expected and actual experience	-	(28,476)	(12,399)	(17,439)	(9,270)	40,065	(14,035)	(8,867)
Change in assumptions	36,678	(32,318)	88,671	86,019	20,923	(262,817)	26,937	(27,470)
Benefit payments, including refunds of employee contributions	(2,753)	(2,848)	(2,983)	(3,064)	(8,952)	(11,567)	(16,036)	(15,015)
Net change in total OPEB liability	68,876	(23,680)	110,346	108,211	45,663	(184,349)	33,435	(12,138)
Total OPEB liability, beginning	381,917	450,793	427,113	537,459	645,670	691,333	506,984	540,419
Total OPEB Liability, ending	\$ 450,793	\$ 427,113	\$ 537,459	\$ 645,670	691,333	506,984	540,419	528,281
Covered-employee Payroll	\$ 9,175,179	\$ 9,491,816	\$ 9,942,297	\$ 10,214,144	\$ 9,946,803	\$ 11,567,166	\$ 12,335,438	\$ 12,512,476
Total OPEB liability as a percentage of covered-employee payroll	4.91%	4.50%	5.41%	6.32%	6.95%	4.38%	4.38%	4.22%

City of Watauga, Texas Retiree Health Plan

	Year Ended December 31							
	2017	2018	2019	2020	2021	2022	2023	2024
Total OPEB Liability								
Service cost	\$ 36,285	\$ 41,530	\$ 40,468	\$ 45,223	\$ 56,718	\$ 90,373	\$ 71,625	\$ 63,701
Interest	35,912	34,038	37,486	27,887	22,931	19,864	37,811	24,816
Difference between expected and actual experience	-	(10,983)	(134,664)	10,060	65,854	(7,166)	(423,604)	(3,942)
Change in assumptions	49,341	(40,515)	101,448	86,582	(194,560)	(223,402)	43,282	(21,450)
Benefit payments, including refunds of employee contributions	(32,844)	(43,918)	(39,042)	(47,893)	(38,086)	(31,496)	(1,001)	-
Net change in total OPEB liability	88,694	(19,848)	5,696	121,859	(87,143)	(151,827)	(271,887)	63,125
Total OPEB liability, beginning	940,851	1,029,545	1,009,697	1,015,393	1,137,252	1,050,109	898,282	626,395
Total OPEB Liability, ending	\$ 1,029,545	\$ 1,009,697	\$ 1,015,393	\$ 1,137,252	\$ 1,050,109	\$ 898,282	\$ 626,395	\$ 689,520
Covered-employee Payroll	\$ 9,013,440	\$ 9,791,192	\$ 9,769,698	\$ 10,128,852	\$ 9,931,940	11,558,577	12,283,308	10,842,790
Total OPEB liability as a percentage of covered-employee payroll	3.89%	3.89%	10.39%	11.23%	10.57%	7.77%	5.10%	6.36%

GASB 75, Paragraph 97, requires that the information on this schedule be data from the period corresponding with the period covered as of the measurement date of December 31, 2024 - the period from January 1, 2024 - December 31, 2024.

Only seven years of data is presented in accordance with GASB 75 paragraph 245. "The information for all periods for the 10-year schedules that are required to be presented as required supplementary information may not be available initially. In these cases, during the transition period, that information should be presented for as many years as are available. The schedules should not include information that is not measured in accordance with the requirements of this Statement. Additional years' information will be displayed as it becomes available."

There are no assets accumulated in a trust that meets the criteria for GASB codification P22.101 or P52.1010 to pay related benefits for the OPEB plans.

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Combining and Individual Fund Statements and Schedules

Non-Major Governmental Funds

SPECIAL REVENUE FUNDS

Special Revenue Funds account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes.

Watauga Economic Development Corporation (WEDC) Sales Tax Fund – to account for a quarter-cent sales tax increase, approved by voters, encourage the development and advance of City businesses, development and parks within the City.

Watauga Crime Control and Prevention Fund – to account for a half-cent sales tax increase approved by the voters to enhance law enforcement in Watauga.

Library Donation Fund – to account for public donations made to the City specifically for the benefit of the public library.

Municipal Court Security Fund – to account for a fee established in the 1997 Texas Legislative session to allow a \$3 assessment on all court fines paid. This assessment allows municipalities to purchase security equipment such as surveillance cameras, bulletproof glass and bailiff costs for Municipal Court areas. In January 2020, SB346 increased this assessment to \$4.90.

Municipal Court Technology Fund – to account for a fee established in the 1997 Texas legislative session to allow a \$4 assessment on all court fines paid. This assessment allows municipalities to purchase and maintain technology equipment such as computer hardware and software for the benefit of the Municipal Court.

Municipal Court Truancy Fund – to account for a fee established and approved by City Council January 28, 2008 to allow a \$5 assessment per misdemeanor offense. Fees are paid out of this fund to pay personnel costs of the Municipal Court Juvenile Case Manager.

Traffic Safety Fund – to account for civil or administrative penalties to no more than \$75 and late penalties to no more than \$25. Legislation passed by 80th Texas Legislature allowed a local government entity to use a photographic traffic signal enforcement system. Effective June 2019, legislation passed by the 86th Legislature, use of photographic traffic signal enforcement was banned. The City will use fund balance for the traffic safety programs until funds are exhausted.

Street Maintenance Sales Tax Fund – to account for a quarter-cent sales tax approved by voters on May 12, 2012 for an initial four years effective October 1, 2012 and reauthorized in May 2016. The purpose of the sales tax is to provide for the maintenance and repair of municipal streets in existence at the time of the vote. On January 1, 2021, this tax was abolished due to a ballot measure in November 2020, and no additional contributions will be made to this fund.

PEG Fund – to account for the expenditures for Public, Educational, and Government (PEG) Access programming is supported by the PEG fee that is assessed to each cable subscriber.

Jury Fees Fund – to account for a fee established in January 2020 with the passage of SB346. These fees are assessed at \$0.10 upon conviction of any fine-only misdemeanor, including a parking or pedestrian offense. The fee is used to fund juror reimbursements and finance jury service.

Non-Major Governmental Funds

CAPITAL PROJECTS FUNDS

Capital projects funds are used to account for the acquisition and construction of major capital facilities other than those financed by proprietary funds and trust funds.

Watauga Economic Development Corporation (WEDC) Construction Fund – to account for construction projects in and for the Economic Development Corporation.

City of Watauga, Texas
Combining Balance Sheet
Non-Major Governmental Funds
September 30, 2025

	WEDC Sales Tax Fund	Watauga Crime Control and Prevention Fund	Library Donation Fund	Municipal Court Security Fund	Municipal Court Technology Fund	Municipal Court Truancy Fund
ASSETS						
Cash and cash equivalents	\$ 2,837,400	\$ 1,040,646	\$ 82,136	\$ 31,385	\$ 145,042	\$ 13,958
Investments	346,870	27,435	-	-	-	-
Account receivable	149,425	296,944	95	-	-	-
Prepaid items	450	-	-	-	-	-
TOTAL ASSETS	\$ 3,334,145	\$ 1,365,025	\$ 82,231	\$ 31,385	\$ 145,042	\$ 13,958
LIABILITIES AND FUND BALANCES						
LIABILITIES						
Accounts payable	\$ 29,115	\$ 78,073	\$ -	\$ -	\$ -	\$ -
Accrued liabilities	6	37,301	-	1,302	-	1,064
Total liabilities	29,121	115,374	-	1,302	-	1,064
FUND BALANCES						
Prepaid items	450	-	-	-	-	-
Restricted:						
Capital acquisitions and contractual obligations	-	-	-	-	-	-
Culture and recreation	-	-	82,231	-	-	-
Economic development	3,304,574	-	-	-	-	-
Public works	-	-	-	-	-	-
Public safety	-	1,249,651	-	30,083	145,042	12,894
Total fund balances	3,305,024	1,249,651	82,231	30,083	145,042	12,894
TOTAL LIABILITIES AND FUND BALANCES	\$ 3,334,145	\$ 1,365,025	\$ 82,231	\$ 31,385	\$ 145,042	\$ 13,958

Traffic Safety Fund	Street Maintenance Sales Tax Fund	PEG Fund	WEDC Construction Fund	Jury Fees Fund	Total Non major Governmental Funds
\$ 21,367	\$ 5,657	\$ 154,776	\$ 45,975	\$ 1,829	\$ 4,380,171
-	-	-	-	-	374,305
-	980	6,483	-	-	453,927
-	-	-	-	-	450
<u>\$ 21,367</u>	<u>\$ 6,637</u>	<u>\$ 161,259</u>	<u>\$ 45,975</u>	<u>\$ 1,829</u>	<u>\$ 5,208,853</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 107,188
1,670	-	-	-	-	41,343
1,670	-	-	-	-	148,531
-	-	-	-	-	450
-	-	-	45,975	-	45,975
-	-	161,259	-	-	243,490
-	-	-	-	-	3,304,574
-	6,637	-	-	-	6,637
19,697	-	-	-	1,829	1,459,196
<u>19,697</u>	<u>6,637</u>	<u>161,259</u>	<u>45,975</u>	<u>1,829</u>	<u>5,060,322</u>
<u>\$ 21,367</u>	<u>\$ 6,637</u>	<u>\$ 161,259</u>	<u>\$ 45,975</u>	<u>\$ 1,829</u>	<u>\$ 5,208,853</u>

City of Watauga, Texas

Combining Statement of Revenues, Expenditures
and Changes in Fund Balance
Non-Major Governmental Funds
For the Fiscal Year Ended September 30, 2025

	WEDC Sales Tax Fund	Watauga Crime Control and Prevention Fund	Library Donation Fund	Municipal Court Security Fund	Municipal Court Technology Fund
REVENUES					
Taxes	\$ 968,273	\$ 1,921,007	\$ -	\$ -	\$ -
Interest income	120,278	61,659	3,160	1,677	5,962
Miscellaneous	3,138	76,065	4,459	18,258	15,037
Total revenues	1,091,689	2,058,731	7,619	19,935	20,999
EXPENDITURES					
Current:					
Public safety	-	1,868,510	-	37,241	2,520
Culture and recreation	-	-	-	-	-
Economic development	88,892	-	-	-	-
Capital outlay	-	420,801	-	-	15,772
Debt Service					
Principal	-	34,307	-	-	-
Interest and other charges	-	8,284	-	-	-
Total expenditures	88,892	2,331,902	-	37,241	18,292
Excess (deficiency) of revenues over expenditures	1,002,797	(273,171)	7,619	(17,306)	2,707
OTHER FINANCING SOURCES (USES)					
Transfers in	-	-	-	-	-
Transfers out	(561,640)	(38,000)	-	-	-
Total other financing sources (uses)	(561,640)	(38,000)	-	-	-
Net change in fund balances	441,157	(311,171)	7,619	(17,306)	2,707
Fund Balance, beginning	2,863,867	1,560,822	74,612	47,389	142,335
FUND BALANCE, ending	\$ 3,305,024	\$ 1,249,651	\$ 82,231	\$ 30,083	\$ 145,042

Municipal Court Truancy Fund	Traffic Safety Fund	Street Maintenance Sales Tax Fund	PEG Fund	WEDC Construction Fund	Jury Fees Fund	Total Non major Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,889,280
1,333	60	-	5,714	2,088	-	201,931
19,414	-	-	19,016	-	366	155,753
20,747	60	-	24,730	2,088	366	3,246,964
42,143	-	-	-	-	-	1,950,414
-	-	-	-	9,020	-	9,020
-	-	-	-	-	-	88,892
-	-	-	-	81,181	-	517,754
-	-	-	-	-	-	34,307
-	-	-	-	-	-	8,284
42,143	-	-	-	90,201	-	2,608,671
(21,396)	60	-	24,730	(88,113)	366	638,293
-	-	-	-	100,000	-	100,000
-	-	-	-	-	-	(599,640)
-	-	-	-	100,000	-	(499,640)
(21,396)	60	-	24,730	11,887	366	138,653
34,290	19,637	6,637	136,529	34,088	1,463	4,921,669
<u>\$ 12,894</u>	<u>\$ 19,697</u>	<u>\$ 6,637</u>	<u>\$ 161,259</u>	<u>\$ 45,975</u>	<u>\$ 1,829</u>	<u>\$ 5,060,322</u>

City of Watauga, Texas

Schedule of Revenues, Expenditures and Changes
In Fund Balances – Budget to Actual
WEDC Sales Tax Special Revenue Fund
For the fiscal year ended September 30, 2025

	Budget Amounts Final Budget	Actual Amounts	Variance Positive/ (Negative)
Revenues			
Taxes	\$ 996,000	\$ 968,273	\$ (27,727)
Interest income	50,000	120,278	70,278
Miscellaneous	3,500	3,138	(362)
Total revenues	1,049,500	1,091,689	42,189
Expenditures			
Current:			
Economic development	139,600	88,892	50,708
Total expenditures	139,600	88,892	50,708
Excess of revenues over expenditures	909,900	1,002,797	92,897
Other financing uses			
Transfers out	(561,640)	(561,640)	-
Total other financing uses	(561,640)	(561,640)	-
Net change in fund balances	348,260	441,157	92,897
Fund balances, beginning of year	2,863,867	2,863,867	-
Fund balances, end of year	\$ 3,212,127	\$ 3,305,024	\$ 92,897

City of Watauga, Texas

Schedule of Revenues, Expenditures and Changes

In Fund Balances – Budget to Actual

Watauga Crime Control and Prevention Special Revenue Fund

For the fiscal year ended September 30, 2025

	Budget Amounts Final Budget	Actual Amounts	Variance Positive/ (Negative)
Revenues			
Taxes	\$ 1,977,000	\$ 1,921,007	\$ (55,993)
Interest income	60,000	61,659	1,659
Miscellaneous	73,000	76,065	3,065
Total revenues	2,110,000	2,058,731	(51,269)
Expenditures			
Current:			
Public safety	2,189,750	1,868,510	321,240
Capital Outlay	460,750	420,801	39,949
Debt Service			
Principal	-	34,307	(34,307)
Interest	-	8,284	(8,284)
Total expenditures	2,650,500	2,331,902	318,598
Excess (deficiency) of revenues over expenditures	(540,500)	(273,171)	267,329
Other financing uses			
Transfers out	(38,000)	(38,000)	-
Total other financing uses	(38,000)	(38,000)	-
Net change in fund balances	(578,500)	(311,171)	267,329
Fund balances, beginning of year	1,560,822	1,560,822	-
Fund balances, end of year	\$ 982,322	\$ 1,249,651	\$ 267,329

City of Watauga, Texas

Schedule of Revenues, Expenditures and Changes
In Fund Balances – Budget to Actual
Library Donation Special Revenue Fund
For the fiscal year ended September 30, 2025

	Budget Amounts Final Budget	Actual Amounts	Variance Positive/ (Negative)
Revenues			
Interest income	\$ 100	\$ 3,160	\$ 3,060
Miscellaneous	6,000	4,459	(1,541)
Total revenues	6,100	7,619	1,519
Expenditures			
Current:			
Culture and recreation	10,000	-	10,000
Total expenditures	10,000	-	10,000
Net change in fund balances	(3,900)	7,619	11,519
Fund balances, beginning of year	74,612	74,612	-
Fund balances, end of year	\$ 70,712	\$ 82,231	\$ 11,519

City of Watauga, Texas

Schedule of Revenues, Expenditures and Changes
In Fund Balances – Budget to Actual
Municipal Court Security Special Revenue Fund
For the fiscal year ended September 30, 2025

	Budget Amounts Final Budget	Actual Amounts	Variance Positive/ (Negative)
Revenues			
Interest income	\$ 2,500	\$ 1,677	\$ (823)
Miscellaneous	15,000	18,258	3,258
Total revenues	17,500	19,935	2,435
Expenditures			
Current:			
Public safety	40,300	37,241	3,059
Total expenditures	40,300	37,241	3,059
Net change in fund balances	(22,800)	(17,306)	5,494
Fund balances, beginning of year	47,389	47,389	-
Fund balances, end of year	\$ 24,589	\$ 30,083	\$ 5,494

City of Watauga, Texas

Schedule of Revenues, Expenditures and Changes
In Fund Balances – Budget to Actual
Municipal Court Technology Special Revenue Fund
For the fiscal year ended September 30, 2025

	Budget Amounts Final Budget	Actual Amounts	Variance Positive/ (Negative)
Revenues			
Interest income	\$ 5,000	\$ 5,962	\$ 962
Miscellaneous	15,000	15,037	37
Total revenues	20,000	20,999	999
Expenditures			
Current:			
Public safety	9,050	2,520	6,530
Capital outlay	24,100	15,772	8,328
Total expenditures	33,150	18,292	14,858
Net change in fund balances	(13,150)	2,707	15,857
Fund balances, beginning of year	142,335	142,335	-
Fund balances, end of year	\$ 129,185	\$ 145,042	\$ 15,857

City of Watauga, Texas

Schedule of Revenues, Expenditures and Changes
In Fund Balances – Budget to Actual
Municipal Court Truancy Special Revenue Fund
For the fiscal year ended September 30, 2025

	Budget Amounts Final Budget	Actual Amounts	Variance Positive/ (Negative)
Revenues			
Interest income	\$ 3,000	\$ 1,333	\$ (1,667)
Miscellaneous	17,000	19,414	2,414
Total revenues	20,000	20,747	747
Expenditures			
Current:			
Public safety	41,900	42,143	(243)
Total expenditures	41,900	42,143	(243)
Net change in fund balances	(21,900)	(21,396)	504
Fund balances, beginning of year	34,290	34,290	-
Fund balances, end of year	\$ 12,390	\$ 12,894	\$ 504

City of Watauga, Texas

Schedule of Revenues, Expenditures and Changes
In Fund Balances – Budget to Actual
Traffic Safety Special Revenue Fund
For the fiscal year ended September 30, 2025

	Budget Amounts Final Budget	Actual Amounts	Variance Positive/ (Negative)
Revenues			
Interest income	\$ -	\$ 60	\$ 60
Total revenues	-	60	60
Net change in fund balances	-	60	60
Fund balances, beginning of year	19,637	19,637	-
Fund balances, end of year	\$ 19,637	\$ 19,697	\$ 60

City of Watauga, Texas

Schedule of Revenues, Expenditures and Changes
In Fund Balances – Budget to Actual
PEG Special Revenue Fund
For the fiscal year ended September 30, 2025

	Budget Amounts Final Budget	Actual Amounts	Variance Positive/ (Negative)
Revenues			
Interest income	\$ 3,500	\$ 5,714	\$ 2,214
Miscellaneous	24,000	19,016	(4,984)
Total revenues	27,500	24,730	(2,770)
Expenditures			
Current:			
General government	10,000	-	10,000
Total expenditures	10,000	-	10,000
Net change in fund balances	17,500	24,730	7,230
Fund balances, beginning of year	136,529	136,529	-
Fund balances, end of year	\$ 154,029	\$ 161,259	\$ 7,230

City of Watauga, Texas

Schedule of Revenues, Expenditures and Changes
In Fund Balances – Budget to Actual
Debt Service Fund
For the fiscal year ended September 30, 2025

	Budget Amounts Final Budget	Actual Amounts	Variance Positive/ (Negative)
Revenues			
Taxes			
Property taxes	\$ 4,425,000	\$ 4,449,344	\$ 24,344
Interest income	40,000	54,362	14,362
Total revenues	4,465,000	4,503,706	38,706
Expenditures			
Debt service			
Principal	3,530,000	3,540,000	(10,000)
Interest	1,024,444	1,011,807	12,637
Total expenditures	4,554,444	4,551,807	2,637
Excess of expenditures over revenues	(89,444)	(48,101)	41,343
Other financing sources			
Transfers in	150,000	150,000	-
Total other financing sources	150,000	150,000	-
Net change in fund balances	60,556	101,899	41,343
Fund balances, beginning of year	1,223,704	1,223,704	-
Fund balances, end of year	\$ 1,284,260	\$ 1,325,603	\$ 41,343

Statistical Section (Unaudited)

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City of Watauga, Texas

Statistical Section (Unaudited)

This part of the City of Watauga's Annual Comprehensive Financial Report provides detailed information to help the reader better understand information presented within the financial statements, note disclosures, and required supplementary information and how they relate to the City's overall financial health.

Financial Trends (Tables 1-4)

Contains trend information to aid the reader in understanding how the City's financial performance has changed over time.

Revenue Capacity..... (Tables 5-10)

Contains information to help the reader assess the City's most significant local revenue sources, the property tax and water revenues.

Debt Capacity..... (Tables 11-14)

Presents information to assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.

Demographic and Economic Information (Tables 15-16)

Offers information to help the reader understand the environment within which the City's financial activities take place.

Operating Information..... (Tables 17-19)

Contains service and infrastructure data to help the reader understand how the City's financial report relates to the services the City provides and the activities it performs.

Unless otherwise noted, the information in these schedules is derived from the Annual Comprehensive Financial Reports for the relevant year.

Table 1

City of Watauga, Texas
Net Position by Component
Last Ten Fiscal Years
(accrual basis of accounting)
(Unaudited)

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Governmental activities										
Net investment in capital assets	\$ 36,945,402	\$ 37,278,290	\$ 38,660,904	\$ 38,606,089	\$ 39,121,348	\$ 39,716,524	\$ 42,373,991	\$ 45,136,267	\$ 47,627,375	\$ 53,573,466
Restricted	3,833,368	4,620,450	4,457,373	4,779,207	5,158,484	5,296,207	4,861,148	5,094,023	6,035,931	6,282,499
Unrestricted	845,314	407,478	(371,133)	(725,644)	(752,288)	1,150,464	3,191,860	5,094,002	4,419,454	2,790,795
Total governmental activities net position	<u>\$ 41,624,084</u>	<u>\$ 42,306,218</u>	<u>\$ 42,747,144</u>	<u>\$ 42,659,652</u>	<u>\$ 43,527,544</u>	<u>\$ 46,163,195</u>	<u>\$ 50,426,999</u>	<u>\$ 55,324,292</u>	<u>\$ 58,082,760</u>	<u>\$ 62,646,760</u>
Business-type activities										
Net investment in capital assets	\$ 24,344,617	\$ 24,042,159	\$ 23,944,294	\$ 24,452,425	\$ 27,276,699	\$ 27,856,495	\$ 28,356,187	\$ 29,463,346	\$ 30,263,233	\$ 31,100,334
Restricted	-	-	-	-	-	-	-	-	-	-
Unrestricted	3,139,921	4,705,617	6,210,337	5,887,374	4,739,452	6,197,552	7,830,457	8,795,884	8,896,100	9,646,611
Total business-type activities net position	<u>\$ 27,484,538</u>	<u>\$ 28,747,776</u>	<u>\$ 30,154,631</u>	<u>\$ 30,339,799</u>	<u>\$ 32,016,151</u>	<u>\$ 34,054,047</u>	<u>\$ 36,186,644</u>	<u>\$ 38,259,230</u>	<u>\$ 39,159,333</u>	<u>\$ 40,746,945</u>
Primary government										
Net investment in capital assets	\$ 61,290,019	\$ 61,320,449	\$ 62,605,198	\$ 63,058,514	\$ 66,398,047	\$ 67,573,019	\$ 70,730,178	\$ 74,599,613	\$ 77,890,608	\$ 84,673,800
Restricted	3,833,368	4,620,450	4,457,373	4,779,207	5,158,484	5,296,207	4,861,148	5,094,023	6,035,931	6,282,499
Unrestricted	3,985,235	5,113,095	5,839,204	5,161,730	3,987,164	7,348,016	11,022,317	13,889,886	13,315,554	12,437,406
Total primary government net position	<u>\$ 69,108,622</u>	<u>\$ 71,053,994</u>	<u>\$ 72,901,775</u>	<u>\$ 72,999,451</u>	<u>\$ 75,543,695</u>	<u>\$ 80,217,242</u>	<u>\$ 86,613,643</u>	<u>\$ 93,583,522</u>	<u>\$ 97,242,093</u>	<u>\$ 103,393,705</u>

Source: Annual Comprehensive Financial Reports

Table 2

City of Watauga, Texas
Changes in Net Position
Last Ten Fiscal Years
(accrual basis of accounting)
(Unaudited)

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Expenses										
Governmental activities:										
General government	\$ 6,107,863	\$ 3,522,986	\$ 5,584,813	\$ 4,985,534	\$ 4,652,993	\$ 4,384,354	\$ 3,954,225	\$ 4,738,734	\$ 5,554,741	\$ 6,660,463
Public Safety	6,029,558	5,845,630	5,808,608	9,178,932	9,534,209	9,136,711	9,772,773	11,970,532	11,695,377	12,217,296
Public Works	987,328	2,472,838	769,758	2,348,520	2,156,500	2,131,872	1,949,260	2,416,999	3,020,782	3,123,379
Economic Development	-	-	-	-	-	-	73,669	46,431	87,910	88,892
Culture and recreation	3,724,218	5,095,575	4,720,179	2,767,462	2,262,568	1,878,361	1,922,770	2,218,215	3,332,175	2,878,000
Interest on long-term debt	377,813	411,910	381,932	562,654	692,493	653,227	732,657	845,266	1,124,148	1,397,131
Total governmental activities expenses	<u>17,226,780</u>	<u>17,348,939</u>	<u>17,265,290</u>	<u>19,843,102</u>	<u>19,298,763</u>	<u>18,184,525</u>	<u>18,405,354</u>	<u>22,236,177</u>	<u>24,815,133</u>	<u>26,365,161</u>
Business-type activities:										
Water and Sewer	7,300,779	6,979,614	6,707,331	8,220,965	7,638,966	6,770,160	7,806,865	8,149,246	9,014,799	8,748,838
Drainage Utility	932,806	978,469	1,015,534	1,066,306	1,025,133	1,216,623	1,053,551	1,201,907	1,265,965	1,499,631
Total business-type activities expenses	<u>8,233,585</u>	<u>7,958,083</u>	<u>7,722,865</u>	<u>9,287,271</u>	<u>8,664,099</u>	<u>7,986,783</u>	<u>8,860,416</u>	<u>9,351,153</u>	<u>10,280,764</u>	<u>10,248,469</u>
Total primary government expenses	<u>\$ 25,460,365</u>	<u>\$ 25,307,022</u>	<u>\$ 24,988,155</u>	<u>\$ 29,130,373</u>	<u>\$ 27,962,862</u>	<u>\$ 26,171,308</u>	<u>\$ 27,265,770</u>	<u>\$ 31,587,330</u>	<u>\$ 35,095,897</u>	<u>\$ 36,613,630</u>
Program Revenues										
Governmental activities:										
Fees, Fines, and Charges for services:										
General Government	\$ 131,200	\$ 126,955	\$ 177,819	\$ 189,931	\$ 189,446	\$ 223,193	\$ 243,817	\$ 249,569	\$ 329,765	\$ 518,142
Public Safety	2,015,413	1,998,687	1,819,361	1,877,057	1,353,891	1,355,268	1,442,518	1,592,096	1,313,024	1,834,107
Public Works	634,100	612,106	909,678	654,129	686,961	1,033,937	1,035,540	1,150,123	1,254,863	1,140,764
Economic Development	-	-	-	-	-	-	250	2,813	4,500	3,138
Culture and recreation	274,796	261,019	252,208	236,478	83,982	90,036	159,928	225,182	352,302	443,698
Operating grants and contributions	35,537	16,111	38,350	22,240	852,735	848,051	609,979	2,648,020	988,651	2,714,716
Capital grants and contributions	-	-	-	-	156,855	-	-	-	-	-
Total governmental activities program revenues	<u>3,091,046</u>	<u>3,014,878</u>	<u>3,197,416</u>	<u>2,979,835</u>	<u>3,323,870</u>	<u>3,550,485</u>	<u>3,492,032</u>	<u>5,867,803</u>	<u>4,243,105</u>	<u>6,654,565</u>
Business-type activities:										
Charges for services:										
Water and Sewer	8,660,703	8,206,963	8,223,078	8,222,931	9,031,436	8,976,433	9,902,023	9,625,010	9,677,619	10,405,918
Drainage Utility	1,410,213	1,419,460	1,451,829	1,470,162	1,471,937	1,559,331	1,504,797	1,482,409	1,489,328	1,498,099
Capital grants and contributions	-	-	-	-	-	-	-	-	-	-
Total business-type activities program revenues	<u>10,070,916</u>	<u>9,626,423</u>	<u>9,674,907</u>	<u>9,693,093</u>	<u>10,503,373</u>	<u>10,535,764</u>	<u>11,406,820</u>	<u>11,107,419</u>	<u>11,166,947</u>	<u>11,904,017</u>
Total primary government program revenues	<u>\$ 13,161,962</u>	<u>\$ 12,641,301</u>	<u>\$ 12,872,323</u>	<u>\$ 12,672,928</u>	<u>\$ 13,827,243</u>	<u>\$ 14,086,249</u>	<u>\$ 14,898,852</u>	<u>\$ 16,975,222</u>	<u>\$ 15,410,052</u>	<u>\$ 18,558,582</u>
Net (expense)/revenue										
Government activities	\$ (12,298,403)	\$ (12,665,721)	\$ (12,115,832)	\$ (16,457,445)	\$ (14,135,619)	\$ (12,085,059)	\$ (12,366,918)	\$ (16,368,374)	\$ (20,572,028)	\$ (19,710,596)
Business-type activities	<u>1,837,331</u>	<u>1,668,340</u>	<u>1,952,042</u>	<u>405,822</u>	<u>1,839,274</u>	<u>2,548,981</u>	<u>2,546,404</u>	<u>1,756,266</u>	<u>886,183</u>	<u>1,655,548</u>
Total primary government net expense	<u>\$ (10,461,072)</u>	<u>\$ (10,997,381)</u>	<u>\$ (10,163,790)</u>	<u>\$ (16,051,623)</u>	<u>\$ (12,296,345)</u>	<u>\$ (9,536,078)</u>	<u>\$ (9,820,514)</u>	<u>\$ (14,612,108)</u>	<u>\$ (19,685,845)</u>	<u>\$ (18,055,048)</u>

Source: Annual Comprehensive Financial Reports

City of Watauga, Texas
Changes in Net Position
Last Ten Fiscal Years
(accrual basis of accounting)
(Unaudited)

Table 2
(continued)

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Net (Expense)/Revenue										
Governmental activities	\$ (14,135,734)	\$ (14,334,061)	\$ (14,067,874)	\$ (16,863,267)	\$ (15,974,893)	\$ (14,634,040)	\$ (14,913,322)	\$ (16,368,374)	\$ (20,572,028)	\$ (19,710,596)
Business-type activities	1,837,331	1,668,340	1,952,042	405,822	1,839,274	2,548,981	2,546,404	1,756,266	886,183	1,655,548
Total primary government net expense	<u>\$ (12,298,403)</u>	<u>\$ (12,665,721)</u>	<u>\$ (12,115,832)</u>	<u>\$ (16,457,445)</u>	<u>\$ (14,135,619)</u>	<u>\$ (12,085,059)</u>	<u>\$ (12,366,918)</u>	<u>\$ (14,612,108)</u>	<u>\$ (19,685,845)</u>	<u>\$ (18,055,048)</u>
General Revenues and Other										
Governmental activities:										
Taxes:										
Property taxes	\$ 6,246,763	\$ 7,022,618	\$ 7,430,079	\$ 8,033,015	\$ 8,638,677	\$ 8,926,186	\$ 9,407,900	\$ 10,178,602	\$ 11,596,580	\$ 12,100,466
Franchise taxes	1,114,190	1,003,842	925,895	989,642	881,836	6,306,657	817,374	904,123	840,843	824,333
Sales taxes	5,868,069	5,814,302	5,850,480	6,013,849	5,982,337	783,430	7,481,865	7,670,480	7,684,529	7,758,756
Penalties and Interest	32,295	39,561	35,044	39,218	45,597	43,240	42,467	53,396	49,195	64,170
Payments in lieu of taxes	370,897	457,222	497,961	479,086	503,500	503,500	502,600	514,000	503,000	561,000
Investment earnings	68,650	152,516	280,383	589,104	274,370	44,353	206,167	1,321,980	1,926,581	1,850,124
Miscellaneous	3,960	9,439	8,946	55,275	12,968	69,825	135,254	59,586	50,768	169,746
Transfers	453,897	516,695	543,961	576,586	503,500	592,500	583,499	563,500	679,000	946,001
Total governmental activities	<u>14,158,721</u>	<u>15,016,195</u>	<u>15,572,749</u>	<u>16,775,775</u>	<u>16,842,785</u>	<u>17,269,691</u>	<u>19,177,126</u>	<u>21,265,667</u>	<u>23,330,496</u>	<u>24,274,596</u>
Business-type activities:										
Investment earnings	43,863	103,443	222,974	353,387	305,578	78,637	145,849	867,337	692,920	878,065
Miscellaneous revenue	130	8,150	-	2,525	35,000	2,778	23,843	12,483	-	-
Transfers	(453,897)	(516,695)	(543,961)	(576,586)	(503,500)	(592,500)	(583,499)	(563,500)	(679,000)	(946,001)
Total business-type activities	<u>(409,904)</u>	<u>(405,102)</u>	<u>(320,987)</u>	<u>(220,674)</u>	<u>(162,922)</u>	<u>(511,085)</u>	<u>(413,807)</u>	<u>316,320</u>	<u>13,920</u>	<u>(67,936)</u>
Total primary government	<u>\$ 13,748,817</u>	<u>\$ 14,611,093</u>	<u>\$ 15,251,762</u>	<u>\$ 16,555,101</u>	<u>\$ 16,679,863</u>	<u>\$ 16,758,606</u>	<u>\$ 18,763,319</u>	<u>\$ 21,581,987</u>	<u>\$ 23,344,416</u>	<u>\$ 24,206,660</u>
Change in Net Position										
Governmental activities	\$ 22,987	\$ 682,134	\$ 1,504,875	\$ (87,492)	\$ 867,892	\$ 2,635,651	\$ 4,263,804	\$ 4,897,293	\$ 2,758,468	\$ 4,564,000
Business-type activities	1,427,427	1,263,238	1,631,055	185,148	1,676,352	2,037,896	2,132,597	2,072,586	900,103	1,587,612
Total primary government	<u>\$ 1,450,414</u>	<u>\$ 1,945,372</u>	<u>\$ 3,135,930</u>	<u>\$ 97,656</u>	<u>\$ 2,544,244</u>	<u>\$ 4,673,547</u>	<u>\$ 6,396,401</u>	<u>\$ 6,969,879</u>	<u>\$ 3,658,571</u>	<u>\$ 6,151,612</u>

Source: Annual Comprehensive Financial Reports

Table 3

City of Watauga, Texas

Fund Balances, Governmental Funds

Last Ten Fiscal Years

(modified accrual basis of accounting)

(Unaudited)

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
General Fund										
Non-spendable										
Inventories	\$ 17,636	\$ 20,440	\$ 21,487	\$ 20,776	\$ 17,581	\$ 17,542	\$ 16,138	\$ 21,799	\$ 25,146	\$ 20,494
Prepaid	184,729	20,491	8,651	80,547	7,579	6,454	23,201	28,242	14,082	16,117
Unassigned	5,274,387	4,490,902	4,541,421	4,317,018	5,314,204	7,011,165	8,364,124	9,061,214	9,550,912	9,409,816
Total general fund	<u>\$ 5,476,752</u>	<u>\$ 4,531,833</u>	<u>\$ 4,571,559</u>	<u>\$ 4,418,341</u>	<u>\$ 5,339,364</u>	<u>\$ 7,035,161</u>	<u>\$ 8,403,463</u>	<u>\$ 9,111,255</u>	<u>\$ 9,590,140</u>	<u>\$ 9,446,427</u>
All Other Governmental Funds										
Non-spendable										
Prepaid items	\$ 6,766	\$ 7,198	\$ 10,265	\$ 15,511	\$ 2,115	\$ 1,165	\$ 1,165	\$ 1,165	\$ -	\$ 450
Restricted										
Capital acquisitions and										
contractual obligations	8,578,094	5,919,345	10,908,618	10,576,461	11,585,784	11,287,523	14,296,410	21,155,135	21,299,491	28,536,486
Debt service	397,992	539,900	710,903	659,604	765,068	758,689	782,058	869,782	1,223,704	1,325,603
Culture and recreation	751,871	838,576	869,225	922,784	1,290,549	1,686,286	62,126	69,545	74,612	243,490
Economic development	-	-	-	-	-	-	1,732,091	2,294,389	2,863,867	3,304,574
Public Works	818,069	1,084,390	1,137,735	1,483,538	1,819,814	1,584,190	726,237	197,304	143,166	6,637
Public Safety	1,493,577	1,768,676	1,418,896	1,532,213	1,315,226	1,291,038	1,621,278	1,750,973	1,805,936	1,459,196
Total all other governmental funds	<u>\$ 12,046,369</u>	<u>\$ 10,158,085</u>	<u>\$ 15,055,642</u>	<u>\$ 15,190,111</u>	<u>\$ 16,778,556</u>	<u>\$ 16,608,891</u>	<u>\$ 19,221,365</u>	<u>\$ 26,338,293</u>	<u>\$ 27,410,776</u>	<u>\$ 34,876,436</u>

Source: Annual Comprehensive Financial Reports

Table 4

City of Watauga, Texas

Changes in Fund Balances, Governmental Funds

Last Ten Fiscal Years

(modified accrual basis of accounting)

(Unaudited)

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Revenues										
Taxes and franchise fees	\$ 13,263,260	\$ 13,867,337	\$ 14,235,932	\$ 15,065,384	\$ 15,549,931	\$ 16,071,272	\$ 17,758,254	\$ 18,792,248	\$ 20,109,378	\$ 20,726,773
Licenses and permits	454,991	428,530	726,796	467,737	501,024	776,817	741,399	783,979	999,713	937,898
Charges for services	741,565	745,127	757,088	741,687	724,789	901,900	1,114,631	1,307,295	1,421,523	1,367,242
Fines and forfeitures	1,563,928	1,522,589	1,406,351	1,323,598	560,003	568,795	638,906	470,674	484,616	623,860
Intergovernmental	370,897	457,222	247,840	523,066	237,784	503,500	886,325	3,129,790	1,815,797	3,271,257
Interest income	59,651	139,237	497,961	479,086	660,355	40,232	195,999	1,246,029	1,486,763	1,769,409
Other revenues	364,976	314,273	337,048	453,439	1,409,741	1,272,469	740,450	607,123	557,941	992,163
Total revenues	<u>\$ 16,819,268</u>	<u>\$ 17,474,315</u>	<u>\$ 18,209,016</u>	<u>\$ 19,053,997</u>	<u>\$ 19,643,627</u>	<u>\$ 20,134,985</u>	<u>\$ 22,075,964</u>	<u>\$ 26,337,138</u>	<u>\$ 26,875,731</u>	<u>\$ 29,688,602</u>
Expenditures										
General government	\$ 5,760,512	\$ 5,870,276	\$ 6,233,602	\$ 6,575,902	\$ 3,879,180	\$ 3,921,341	\$ 3,608,866	\$ 4,136,855	\$ 4,455,376	\$ 5,303,161
Public Safety	5,464,615	5,750,992	5,660,947	6,171,464	8,941,173	8,761,417	9,786,168	11,809,426	10,911,546	11,395,630
Culture and Recreation	1,102,216	1,165,026	2,309,572	2,339,355	1,959,457	1,613,357	1,737,846	2,012,924	2,654,126	2,719,765
Economic Development	-	-	-	-	-	-	73,669	46,431	87,910	88,892
Public Works	2,041,848	2,114,393	1,034,613	853,455	740,246	859,341	719,354	964,489	1,703,624	1,137,966

City of Watauga, Texas

Changes in Fund Balances, Governmental Funds

Last Ten Fiscal Years

(modified accrual basis of accounting)

(Unaudited)

Table 4
(continued)

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Capital outlay	\$ 2,203,694	\$ 3,419,723	\$ 2,897,996	\$ 1,398,668	\$ 3,026,567	\$ 5,629,829	\$ 3,750,012	\$ 4,764,491	\$ 5,045,935	\$ 6,440,613
Debt service										
Principal	1,447,632	1,695,225	1,727,935	1,945,767	2,103,727	2,411,819	2,684,867	3,052,899	3,362,576	3,658,321
Interest	471,377	474,609	537,198	640,098	726,304	1,301,546	770,418	881,101	1,003,985	1,151,558
Total expenditures	<u>18,491,894</u>	<u>20,490,244</u>	<u>20,401,863</u>	<u>19,924,709</u>	<u>21,376,654</u>	<u>24,498,650</u>	<u>23,131,200</u>	<u>27,668,616</u>	<u>29,225,078</u>	<u>31,895,906</u>
Excess of revenues over (under) expenditures	(1,672,626)	(3,015,929)	(2,192,847)	(870,712)	(1,733,027)	(4,363,665)	(1,055,236)	(1,331,478)	(2,349,347)	(2,207,304)
Other Financing Sources (Uses)										
Proceeds from borrowing	5,885,000	-	6,780,000	425,000	3,360,000	4,540,000	4,385,000	8,820,000	3,545,000	8,740,000
Proceeds from refunding	-	-	-	-	-	575,000	-	-	-	-
Proceeds from right-to-use subscription assets	-	-	-	-	-	-	-	-	89,267	-
Premiums on GO Debt	193,580	-	306,169	24,877	221,495	271,297	177,512	322,698	152,448	228,251
Sale of Asset	55,785	16,031	-	-	-	-	-	-	-	-
Transfers in	696,379	892,793	795,870	544,489	985,470	1,013,284	2,386,378	1,456,027	1,213,510	1,808,640
Transfers out	<u>(773,362)</u>	<u>(726,098)</u>	<u>(751,909)</u>	<u>(142,400)</u>	<u>(324,470)</u>	<u>(509,784)</u>	<u>(1,912,878)</u>	<u>(1,442,527)</u>	<u>(1,099,510)</u>	<u>(1,247,640)</u>
Total other financing sources (uses)	<u>6,057,382</u>	<u>182,726</u>	<u>7,130,130</u>	<u>851,966</u>	<u>4,242,495</u>	<u>5,889,797</u>	<u>5,036,012</u>	<u>9,156,198</u>	<u>3,900,715</u>	<u>9,529,251</u>
Net change in fund balances	<u>\$ 4,384,756</u>	<u>\$ (2,833,203)</u>	<u>\$ 4,937,283</u>	<u>\$ (18,746)</u>	<u>\$ 2,509,468</u>	<u>\$ 1,526,132</u>	<u>\$ 3,980,776</u>	<u>\$ 7,824,720</u>	<u>\$ 1,551,368</u>	<u>\$ 7,321,947</u>
Debt service as a percentage of noncapital expenditures	11.8%	13.1%	13.4%	13.8%	15.4%	19.7%	17.8%	17.1%	17.8%	17.7%

Source: Annual Comprehensive Financial Reports

Table 5

City of Watauga, Texas

Assessed Value and Actual Value of Taxable Property

Last Ten Fiscal Years

(Unaudited)

Fiscal Year	Assessed (Appraised) Value			Less: Tax-Exempt	Total Taxable Assessed Value ^a	Total Direct Tax Rate
	Real Property	Personal Property	Total Market Value			
2016	\$ 1,023,103,188	\$ 62,537,180	\$ 1,085,640,368	\$ 108,372,567	\$ 977,267,801	0.618718
2017	1,181,209,410	62,026,022	1,243,235,432	111,483,084	1,131,752,348	0.618411
2018	1,273,013,697	68,791,738	1,341,805,435	128,331,870	1,213,473,565	0.601788
2019	1,444,529,571	72,435,076	1,516,964,647	136,522,898	1,380,441,749	0.601788
2020	1,617,737,727	75,175,464	1,692,913,191	140,260,143	1,552,653,048	0.580500
2021	1,665,719,964	75,105,986	1,740,825,950	146,995,717	1,593,830,233	0.580404
2022	1,795,936,624	71,804,882	1,867,741,506	145,583,141	1,722,158,365	0.580400
2023	1,925,387,412	71,979,131	1,997,366,543	158,495,174	1,838,871,369	0.570200
2024	2,363,042,495	81,647,980	2,444,690,475	181,887,816	2,262,802,659	0.570200
2025	2,526,469,526	77,272,571	2,603,742,097	195,115,625	2,408,626,472	0.570200

Source: Tarrant Appraisal District (www.tad.org)

^a Assessed (Appraised) value taken from September Certified tax roll provided by the Tarrant Appraisal District

Table 6

City of Watauga, Texas

Direct and Overlapping Property Tax Rates

Last Ten Fiscal Years

(rate per \$100 of assessed value)

(Unaudited)

Fiscal Year	City Direct Rates			Overlapping Rates ^a						
	M&O Rate	General Obligation	Total Direct	Keller Ind School District	Birdville Ind School District	Tarrant County	Tarrant County Hospital	Tarrant County College	Combined Rates	
		Debt Service							KISD	BISD
2016	0.440171	0.178547	0.618718	1.540000	1.453900	0.264000	0.227897	0.149500	2.800115	2.714015
2017	0.423017	0.195394	0.618411	1.520000	1.453900	0.254000	0.227897	0.144730	2.765038	2.698938
2018	0.419650	0.182138	0.601788	1.520000	1.453900	0.244000	0.224429	0.140060	2.730277	2.664177
2019	0.420628	0.181160	0.601788	1.510000	1.453900	0.234000	0.224429	0.136070	2.706287	2.650187
2020	0.405884	0.174616	0.580500	1.408300	1.383900	0.234000	0.224429	0.130170	2.577399	2.552999
2021	0.400696	0.179708	0.580404	1.394700	1.380300	0.234000	0.224429	0.130170	2.563703	2.549303
2022	0.395445	0.184955	0.580400	1.344000	1.338000	0.229000	0.224429	0.130170	2.507999	2.501999
2023	0.375187	0.195013	0.570200	1.272900	1.279800	0.224000	0.224429	0.130170	2.421699	2.428599
2024	0.359710	0.210490	0.570200	1.087500	1.203100	0.194500	0.194500	0.112170	2.158870	2.274470
2025	0.361051	0.209149	0.570200	1.085200	1.198300	0.187500	0.182500	0.112280	2.137680	2.250780

Source: Tarrant County Appraisal District - Tax Rates

Note: Rates for debt service are set based on each year's requirements.

^a Overlapping rates are those of local and county governments that apply to property owners within the City of Watauga.

Table 7

City of Watauga, Texas
Principal Property Tax Payers
Current Year and Nine Years Ago
(Unaudited)

	2025				2016		
	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value a)		Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value b)
<u>Taxpayer</u>				<u>Taxpayer</u>			
KRG WATAUGA LLC	\$ 32,619,639	1	1.41%	Inland Western Watauga LP	\$ 32,772,354	1	2.14%
Watauga Towne Crossing LLC	27,685,000	2	1.20%	Watauga Towne Crossing LLC	24,390,298	2	1.59%
Park Vista OTM Harmony LP	19,224,698	3	0.83%	Brookwillow Watauga LLC	13,231,034	3	0.86%
Dayton Hudson Corp/Target Stores	14,869,830	4	0.64%	Park Vista Townhomes Etal	9,298,739	4	0.61%
Brookwillow Watauga LLC	14,300,000	5	0.62%	Dayton Hudson Corp	9,220,198	5	0.60%
Oncor Electric Delivery	13,621,449	7	0.59%	Oncor Electric Delivery	7,044,509	6	0.46%
Woodcrest Marketplace Lp	9,895,869	6	0.43%	TVR Management	6,195,886	9	0.40%
PS LPT Properties Investors	9,429,250	8	0.41%	Watauga All Storage	6,174,612	7	0.40%
FKH SFR Prop Co B-HLD LP	6,408,554	9	0.28%	Target Stores	5,646,843	8	0.37%
Watauga Association	5,400,000	10	0.23%	Southwestern Bell	4,954,493	10	0.32%
Total	\$ 153,454,289		6.63%		\$ 118,928,966		7.75%

Source: Tarrant Central Appraisal District

TAD.org ->reports->year->top taxpayers

NOTE:

a) Total taxable value including real and personal property for tax year 2024 (FY 2024-2025) is \$2,314,719,086

b) Total taxable value including real and personal property for tax year 2015 (FY 2015-2016) is \$981,049,931

Table 8

City of Watauga, Texas

Property Tax Levies and Collections

Last Ten Fiscal Years

(Unaudited)

Fiscal Year	Taxes Levied for the Fiscal Year	Adjustments to Levy in Subsequent Years	Adjusted Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date		Actual Balance
				Amount	Percentage of Levy		Amount	Percentage of Levy	
2016	\$ 6,261,312	\$ -	\$ 6,261,312	\$ 6,216,717	99.25%	\$ 37,644	\$ 6,254,361	99.89%	\$ 6,951
2017	7,023,037	-	7,023,037	6,969,596	99.67%	12,785	6,982,381	99.42%	40,656
2018	7,449,031	-	7,449,031	7,391,050	99.37%	38,708	7,429,758	99.74%	19,273
2019	8,058,938	-	8,058,938	7,994,311	99.30%	47,691	8,042,002	99.79%	16,936
2020	8,654,530	(29)	8,654,501	8,585,768	99.31%	45,766	8,631,534	99.73%	22,967
2021	8,919,782	(44)	8,919,738	8,870,951	99.56%	28,375	8,899,326	99.77%	20,412
2022	9,440,144	1,182	9,441,326	9,385,793	99.41%	10,733	9,396,526	99.53%	44,800
2023	10,210,420	4,569	10,214,989	10,140,690	99.27%	43,401	10,184,091	99.70%	30,898
2024	11,615,362	(19,219)	11,596,143	11,497,000	99.15%	52,850	11,549,850	99.60%	46,293
2025	12,095,240	-	12,095,240	11,983,653	99.08%	n/a	11,983,653	99.08%	111,587

Sources: Tarrant County Tax Office and Tarrant Appraisal District

City of Watauga, Texas

Water Revenue

Last Ten Fiscal Years

(Unaudited)

Table 9

Fiscal Year	*No of Customers	**Gallons Billed	***Water Revenue
2016	8,255	677,806,287	\$ 4,491,891
2017	8,248	614,615,519	4,230,822
2018	8,281	683,681,464	4,564,691
2019	8,318	598,933,474	4,260,894
2020	8,328	659,975,682	4,898,617
2021	8,349	598,350,168	4,624,597
2022	8,362	678,224,413	5,353,882
2023	8,391	652,661,281	5,194,185
2024	8,420	636,018,236	5,079,543
2025	8,523	623,012,267	5,107,706

*Source: Table 18 - number of Water Consumers

**Source: Monthly E-mail sent by D. Defriese, Utility Billing Supervisor

***Source: Comparative Summary of Monthly Water Billings

Table 10

City of Watauga, Texas
Principal Water Customers
As of September 30, 2025
(Unaudited)

Customer Name	Gallons	Total	Dollars	Total
	Consumed (000)		Billed	
Park Vista Townhomes	10,564	1.70%	\$ 132,883	2.60%
North Pointe Nursing & Rehab	6,663	1.07%	46,302	0.91%
Denton Hwy. Laudromat	3,474	0.56%	24,301	0.48%
Watauga 5807 LLC	2,609	0.42%	18,331	0.36%
Brooks Crossing	1,961	0.31%	15,961	0.31%
Target Stores	1,406	0.23%	11,273	0.22%
Lifestyle Christianity	1,380	0.22%	9,853	0.19%
BISD 045-02	1,278	0.21%	9,148	0.18%
Watauga 377, LLC	1,246	0.20%	10,651	0.21%
Brookwillow Watauga, LLC	1,236	0.20%	8,862	0.17%
Top Ten Total	31,817	4.87%	\$ 287,565	5.54%
City Total	652,661		5,194,185	

City of Watauga, Texas

Ratios of Outstanding Debt by Type Last Ten Fiscal Years (Unaudited)

Table 11

Fiscal Year	Governmental Activities								Business-Type Activities							
	General Obligation Bonds	Certificates of Obligation	Tax Notes	Lease Payable	Subscription Payable	Sales Tax Revenue Bonds	Unamortized Bond Premium	Other Obligations	Water and Sewer Revenue Bonds	General Obligation Bonds	Certificates of Obligation	Lease Payable	Unamortized Bond Premium	Total Primary Government	Percentage of Personal Income ^b	Per Capita ^b
2016	\$ 3,045,000	\$ 14,120,000	\$ -	\$ -	\$ -	\$ -	\$ 329,067	\$ 502,847	\$ -	\$ -	\$ 8,595,000	\$ -	\$ 351,403	\$ 26,943,317	4.54%	1,142
2017	2,335,000	13,195,000	-	-	-	-	308,685	442,622	-	-	15,415,000	-	583,305	32,279,612	5.46%	1,332
2018	1,605,000	19,040,000	-	-	-	-	593,220	379,687	-	-	14,655,000	-	546,745	36,819,652	6.17%	1,559
2019	1,105,000	18,085,000	-	-	-	-	581,822	313,920	-	-	21,910,000	-	982,265	42,978,007	7.20%	1,820
2020	585,000	19,480,000	450,000	-	-	-	762,060	245,191	-	-	20,965,000	-	923,952	43,411,203	5.21%	1,826
2021	960,000	21,395,000	375,000	-	-	-	956,531	173,371	-	-	20,005,000	-	847,902	44,712,804	3.64%	1,881
2022	650,000	23,670,000	285,000	490,841	-	-	1,073,408	118,105	-	-	19,150,000	30,040	944,303	46,411,697	4.75%	1,953
2023	345,000	29,975,000	195,000	405,695	-	-	1,326,595	60,352	-	-	17,865,000	21,776	865,665	51,060,083	6.59%	2,148
2024	230,000	30,525,000	100,000	317,968	77,053	-	1,393,397	2,716	-	-	19,925,000	13,261	932,380	53,516,775	6.93%	2,260
2025	115,000	35,940,000	-	227,583	51,833	-	1,531,773	-	-	-	19,925,000	4,487	888,293	58,683,969	6.93%	2,260

Note: Details regarding the city's outstanding debt can be found in the notes to the financial statements.

^b See Table 15 for personal income and population data. These ratios are calculated using personal income and population for the prior calendar year. See below for source data:

NCTCOG annual population estimates for population.

Table 12

City of Watauga, Texas

Ratios of General Bonded Debt Outstanding

Last Ten Fiscal Years

(Unaudited)

Fiscal Year	Governmental Activities						Business-Type Activities				Total Primary Government	Less: Amount ^a Restricted for Debt Service	Percentage of Actual Taxable Value ^b of Property	Per Capita ^c
	General Obligation Bonds	Certificates of Obligation	Lease Payable	Subscription Payable	Tax Notes	Unamortized Bond Premium	General Obligation Bonds	Certificates of Obligation	Lease Payable	Unamortized Bond Premium				
2016	\$ 3,045,000.0	\$ 14,120,000.0	\$ -	\$ -	\$ -	\$ 329,067.0	\$ -	\$ 8,595,000.0	\$ -	\$ 351,403.0	\$ 26,440,470.0	\$ 374,859.0	2.67%	\$ 1,120.4
2017	2,335,000	13,195,000	-	-	-	308,685	-	15,415,000	-	583,305	31,836,990	395,192	2.78%	1,314
2018	1,605,000	19,040,000	-	-	-	593,220	-	14,655,000	-	546,745	36,439,965	669,939	2.95%	1,543
2019	1,105,000	18,085,000	-	-	-	581,822	-	21,910,000	-	982,265	42,664,087	610,275	3.05%	1,807
2020	585,000	19,480,000	-	-	450,000	762,060	-	20,965,000	-	923,952	43,166,012	765,068	2.73%	1,816
2021	960,000	21,395,000	-	-	375,000	956,531	-	20,005,000	-	847,902	44,539,433	758,689	2.75%	1,874
2022	650,000	23,670,000	490,841	-	285,000	1,073,408	-	19,150,000	30,040	944,303	46,293,592	782,058	2.64%	1,948
2023	345,000	29,975,000	405,695	-	195,000	1,326,595	-	17,865,000	21,776	865,665	50,999,731	749,480	2.73%	2,128
2024	230,000	30,525,000	317,968	77,053	100,000	1,393,397	-	19,925,000	13,261	932,380	53,514,059	1,223,704	3.01%	2,234
2025	115,000	35,940,000	227,583	51,833	-	1,531,773	-	19,925,000	4,487	888,293	58,683,969	2,395,514	3.25%	2,456

Note: Details regarding the city's outstanding debt can be found in the notes to the financial statements.

^a This is the amount restricted for debt service principal payments for the total primary government.

^b See Table 5 for property value data.

^c Population data can be found in Table 15

Table 13

City of Watauga, Texas

Direct and Overlapping Governmental Activities Debt

Year Ended September 30, 2025

(Unaudited)

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable ^a</u>	<u>Estimated Share of Overlapping Debt</u>
Debt repaid with property taxes			
Keller Independent School District	\$ 736,234,989	2.76%	\$ 20,320,086
Birdville Independent School District	621,060,000	7.66%	47,573,196
Tarrant County College District	569,915,000	0.66%	3,761,439
Tarrant County	345,130,000	0.66%	2,277,858
Tarrant County Hospital	440,020,000	0.66%	2,904,132
Subtotal, overlapping debt			76,836,711
City direct debt			<u>32,328,166</u>
Total direct and overlapping debt			<u><u>\$ 109,164,877</u></u>

Sources: Debt outstanding data provided by each governmental unit.

^a For percentage of debt applicable to City, data prepared by the Municipal Advisory Council of Texas.

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the city. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of Statistical. This process recognizes that, when considering the city's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping government.

Table 14

City of Watauga, Texas
Pledged-Revenue Coverage
Last Ten Fiscal Years
(Unaudited)

Fiscal Year	Water and Sewer Revenue Bonds						PDC Sales Tax Revenue Bonds ^c					
	Total Revenues ^a	Less: Operating Expenses ^b	Net Available Revenue	Debt Service		Coverage	Total Revenues ^a	Less Operating Expenses	Net Available Revenue	Debt Service		Coverage
				Principal	Interest					Principal	Interest	
2016	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2017	-	-	-	-	-	-	-	-	-	-	-	-
2018	-	-	-	-	-	-	-	-	-	-	-	-
2019 ^f	-	-	-	-	-	-	-	-	-	-	-	-
2020 ^f	-	-	-	-	-	-	-	-	-	-	-	-
2021 ^f	-	-	-	-	-	-	-	-	-	-	-	-
2022	-	-	-	-	-	-	-	-	-	-	-	-
2023	-	-	-	-	-	-	-	-	-	-	-	-
2024	-	-	-	-	-	-	-	-	-	-	-	-
2025	-	-	-	-	-	-	-	-	-	-	-	-

Note: Details regarding the city's outstanding debt can be found in the notes to the financial statements.
Source: Annual Comprehensive Financial Reports and Official Statement

^a Includes operating and non-operating revenues

^b Excludes depreciation, amortization, interest expense and expenditures identified as capital

^c Bonds are solely supported by a 1/2 cent sales tax approved at an election held in May, 1994 for the purpose of the City Parks and Recreation.

^d In April, 2008, the City issued \$2,430,000 in GO Refunding Bonds to refund \$2,400,000 of outstanding Series 1996 Waterworks and Sewer System Revenue Bonds.

^e In May, 2012, voters approved a reallocation of 1/4 cent sales tax to the Street Maintenance Fund for a period of 4 years, effective October 1, 2012.

The fund balance in the PDC operating fund is sufficient to pay off the remainder of the bond.

^f Final Debt Service payment made in FY2015. Parks Development Corporation name changed to Economic Development Corporation in FY2018-2019.

City of Watauga, Texas

Demographic and Economic Statistics

Last Ten Calendar Years

(Unaudited)

Table 15

Year	Population(1)	Personal Income (thousands of dollars) (2)	Per Capita Personal Income(3)	Median Age(4)	School Enrollment(5)	Unemployment Rate(6)
2016	23,600	\$ 593,469	\$ 25,147	34.7	3,851	4.1%
2017	24,228	591,575	24,417	34.9	5,380	4.1%
2018	23,610	596,861	25,280	34.2	5,650	3.7%
2019	23,770	833,139	35,050	34.5	5,172	3.3%
2020	23,770	1,227,982	51,661	34.0	5,172	3.5%
2021	23,770	977,280	41,114	35.0	4,335	4.1%
2022	23,770	774,569	32,586	36.8	4,335	3.5%
2023	23,653	802,783	33,940	36.8	4,335	3.5%
2024	23,775	806,924	33,940	36.8	4,335	4.0%
2025	23,806	824,592	34,638	36.2	4,335	4.1%

Sources:

(1) NCTCOG annual population estimates

(2) 2016 - 2025 Personal Income is calculated by multiplying Population (1) by Per Capita Personal Income

(3) 2016 - 2019 based on www.incomebyzipcode.com . 2020 - 2025 Estimates from The Retail Coach.

(4) 2016-2019 Median Age from 2010 Census, U.S. Census Bureau American Fact Finder and The Retail Coach 2020-2025.

(5) School Enrollment provided by Birdville and Keller Independent School Districts.

(6) Unemployment Rates from Texas Workforce Commission.

Table 16

City of Watauga, Texas
Principal Employers
Current Year and Nine Years Ago

Employer	2025			2016		
	Employees ⁽¹⁾	Rank	Percentage of Total City Employment ⁽²⁾	Employees ⁽¹⁾	Rank	Percentage of Total City Employment ⁽³⁾
Birdville ISD	255	1	4.05%	195	2	3.44%
Target	288	2	4.58%	245	1	4.32%
City of Watauga	189	3	3.00%	190	3	3.35%
North Pointe Health & Rehab	74	4	1.18%	92	6	1.62%
Albertsons	85	5	1.35%	176	4	3.10%
Chilis	70	6	1.11%	52	10	0.92%
Keller ISD	68	7	1.08%	52	9	0.92%
Cotton Patch Café	54	8	0.86%	54	8	0.95%
Newman Academy	50	9	0.79%	-		0.00%
Fresco's	23	10	0.37%	60	7	1.06%
Harvest Christian				100	5	1.76%
Total	1,156		18.36%	1,216		21.42%

Source:

⁽¹⁾ For 2025, statistics provided by City of Watauga Economic Development Department. For 2015 used Sites on Texas, Survey of American City, City of

⁽²⁾ For 2025, used NCTCOG 2017 estimates obtained from the Bureau of Economic Analysis and U.S. Census Bureau, analyzed by NCTCOG

⁽³⁾ For 2016 City Employment obtained from Sites on Texas, Demographic data for 2007 by Experian /Applied Geographic Solutions

Table 17

City of Watauga, Texas

Full-Time Equivalent City Government Employees by Function/Program

Last Ten Fiscal Years

(Unaudited)

Function/Program	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
General Government and Administration	31.65	32.90	31.90	31.90	31.90	21.75	27.00	32.00	32.00	32.00
Public Safety										
Police Division	49.85	48.85	47.60	47.60	47.60	50.00	50.50	52.00	52.00	52.00
Fire/EMS Division	21.00	21.00	21.00	21.00	27.00	27.00	27.00	30.00	30.00	30.00
Culture and Recreational	8.50	8.50	8.50	8.50	8.50	3.00	4.25	5.25	9.50	10.00
Library	12.00	12.50	12.25	12.25	12.25	11.25	11.75	11.50	12.25	12.25
Water/Sewer/Drainage	33.25	33.25	32.25	32.25	32.25	28.25	29.00	31.00	32.00	33.00
Fleet Services	3.00	3.00	3.00	3.00	3.00	3.00	3.00	4.00	4.00	4.00
Building	7.00	7.00	7.00	7.00	7.00	7.00	7.00	8.00	8.00	8.00
Parks Development**	8.75	8.75	6.75	6.75	6.75	6.00	4.50	6.75	6.75	7.25
Total	<u>175.00</u>	<u>175.75</u>	<u>170.25</u>	<u>170.25</u>	<u>176.25</u>	<u>157.25</u>	<u>164.00</u>	<u>180.50</u>	<u>186.50</u>	<u>188.50</u>

Source: City Budget Office.

In 2015, decreased positions in Parks Development due to a shift to contract labor in the Parks Department

In FY2021, positions were reduced/frozen or unfunded to recover from expected revenue losses due to the COVID-19 pandemic

In FY2022, the City added positions as revenues increased due to economic recovery

In FY2023, the City added positions to continue to fund positions previously reduced or unfunded in 2021 as revenues increased due to economic recovery

Table 18

City of Watauga, Texas

Operating Indicators by Function/Program

Last Ten Fiscal Years

(Unaudited)

<u>Function/Program</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
Police										
Calls for Service	8,279	10,464	9,247	10,543	10,046	9,246	8,801	8,719	11,000	9,200
Municipal Citations Issued	8,781	3,999	3,449	5,410	6,664	5,559	5,133	4,420	4,209	3,300
Fire/EMS										
EMS Calls	1,395	1,387	1,369	1,475	1,400	1,676	1,897	1,930	1,861	1,950
EMS Average Response Time (min)	3.47	3.50	3.50	3.46	4.14	4.16	4.19	4.35	4.32	4.32
Ambulance Transports	1,039	1,063	942	1,059	1,005	1,212	1,429	1,503	1,456	1,500
Fire Calls	759	730	863	707	686	910	857	842	934	950
Fire Average Response Time (min)	4.07	3.50	4.30	4.59	5.14	4.32	7.33	5.09	5.03	5.03
Fire Inspections	336	544	691	678	680	688	701	907	836	800
Public Works										
Lane Miles Maintained	88	88	88	88	88	88	88	88	88	88
Miles of Curb and gutter maintained	176	176	176	176	176	176	176	176	176	176
Parks and recreation										
Park Acres Maintained	119	119	119	119	119	119	120	120	120	88
Athletic Fields Maintained	10	10	10	10	10	10	12	12	12	12
Community Center Memberships	1,004	988	1,079	1,025	948	844	838	1,170	1,082	1,375
Program/Class/League Attendance	65,005	72,000	70,000	70,000	365	30,416	36,489	41,573	42,151	42,151
Library										
Number of Programs Offered	1,244	1,326	1,844	1,848	1,144	408	703	895	753	753
Number of School Visits	61	49	65	64	6	2	1	4	5	5
Number of Books in Collection	79,751	79,283	80,216	80,116	79,172	79,380	82,965	87,256	86,111	86,111
Number of Media in Collection	22,530	23,148	24,499	25,461	24,455	24,482	24,624	27,589	25,196	25,196
Electronic Format Materials	52	50	49	49	49	-	4,306	5,119	4,894	4,894
Ebooks & Audiobooks	23,765	21,733	22,793	30,169	30,408	29,424	31,662	36,740	37,536	37,536
Water and Sewer										
Number of Water Consumers	8,238	8,248	8,281	8,318	8,328	8,349	8,362	8,391	8,420	8,420
Average daily consumption (mil gal)	2.2	2.0	2.5	2.0	2.0	2.0	2.0	2.0	1.9	1.9
Amt of sewer line inspected (Linear Ft)	8,000	8,900	19,100	2,100	2,100	2,100	1,900	3,187	4,750	4,750

Sources: Various city departments.

Note: Indicators are not available for the general government function.

Table 19

City of Watauga, Texas

Capital Assets by Function/Program

Last Ten Fiscal Years

(Unaudited)

<u>Function/Program</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	12	16	16	16	16	16	16	16	16	16
Animal control facility	1	1	1	1	1	1	1	1	1	1
Fire stations	1	1	1	1	1	1	1	1	1	1
Public Works										
Streets (miles)	88.0	88.0	88.0	88.0	88.0	88.0	88.0	88.0	88.0	88.0
Streetlights	703	703	703	781	781	781	781	781	781	781
Traffic signals	20	20	20	20	20	20	20	20	20	20
Parks and recreation										
Acreage (developed & undeveloped) ^a	124	124	124	124	124	124	124	124	124	124
Parks	10	10	10	9	9	9	9	9	9	9
Athletic fields	10	10	10	10	10	10	10	10	10	10
Senior centers	1	1	1	1	1	1	1	1	1	1
Community centers	1	1	1	1	1	1	1	1	1	1
Water										
Water mains (miles)	88.0	88.0	88.0	107.0	107.0	107.0	107.0	107.0	107.0	111.0
Fire hydrants	649	649	649	654	654	654	654	654	658	658
Storage capacity (thousands of gallons)	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000
Shared ground storage (owned by NRH)	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000
Wastewater										
Storm sewers (miles)	17.4	17.4	17.4	17.4	17.4	17.4	17.4	17.4	17.4	17.4
Sanitary sewers (miles)	85	85	85	85	85	85	85	85	85	85

Sources: Various city departments.

^a In FY98 & FY99, sold 60 acres to large retail establishment

Federal Awards Section

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**Independent Auditor's Report on Internal Control over Financial
Reporting and on Compliance and Other Matters Based on an
Audit of Financial Statements Performed in Accordance
with Government Auditing Standards**

To the Honorable Mayor and City Council
City of Watauga, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of and for the year ended September 30, 2025, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated March xx, 2026.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

(Firm Name)

Fort Worth, Texas
March xx, 2026

**Independent Auditor's Report on Compliance for Each Major Federal Program and
Report on Internal Control over Compliance
As Required by Uniform Guidance**

To the Honorable Mayor and City Council
City of Watauga, Texas

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the City's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended September 30, 2025. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the City complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2025.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the City's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the City's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the City's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the City's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the City's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

(Firm Name)

Fort Worth, Texas
March xx, 2026

City of Watauga, Texas

Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2025

I. Summary of the Auditor's Results:

Financial Statements

a. An unmodified opinion was issued on the financial statements.

b. Internal control over financial reporting:

Material weakness(es) identified? ☐ Yes ☒ No
Reported

Significant deficiency(ies) identified that are not
considered a material weakness? ☐ Yes ☒ None Reported

c. Noncompliance material to financial
statements noted? ☐ Yes ☒ No

Major Programs

d. Internal control over major programs:

Material weakness(es) identified? ☐ Yes ☒ No

Significant deficiency (ies) identified that are not
Considered a material weakness? ☐ Yes ☒ None Reported

e. An unmodified opinion was issued on compliance for major Federal programs.

f. Any audit findings disclosed that were required to be
reported in accordance with 2 CFR 200.516(a)? ☐ Yes ☒ No

g. Identification of major program:

Program/Cluster Name	Federal Assistance Listing Number
COVID-19 - Coronavirus State and Local Fiscal Recovery Funds	21.027

h. The dollar threshold used to distinguish between type A
and type B programs. \$1,000,000

i. Auditee qualified as a low-risk auditee? ☒ Yes ☐ No

City of Watauga, Texas

Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2025

II. Findings Relating to the Financial Statements Which Are Required To Be Reported in Accordance with Generally Accepted Government Auditing Standards.

There were no matters reported

III. Findings and Questioned Costs for Federal Awards

There were no matters reported

City of Watauga, Texas

Summary of Prior Audit Findings
For the Year Ended September 30, 2025

IV. Summary of Prior Year Findings

There were no matters reported

City of Watauga, Texas

Schedule of Expenditures of Federal Awards For the Year Ended September 30, 2025

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal Assistance Listing Number	Pass-through Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF TREASURY			
Passed Through Texas Department of Emergency Management COVID-19 - Coronavirus State and Local Fiscal Recovery Funds	21.027	N/A	\$ 2,296,789
Total U.S. Department of Treasury			2,296,789
U.S. DEPARTMENT OF TRANSPORTATION			
Passed through Texas Department of Public Safety Bulletproof Vests	20.939	N/A	1,184
Total U.S. Department of Transportation			1,184
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
Passed Through Texas Department of Agriculture Community Development Block Grant Program	14.218	N/A	663,285
Total U.S. Department of Housing and Urban Development			663,285
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 2,961,258

City of Watauga, Texas

Notes to Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2025

Note 1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the City and is presented on the modified accrual basis of accounting as described in Note 1 to the basic financial statements for the year ended September 30, 2025.

The City elected not to use the de minimis indirect cost rate as allowed in the Uniform Guidance, section 414.

Note 2. Basis of Accounting

The accompanying Schedule of Expenditures of Federal Awards is presented using the modified accrual basis of accounting, which is described in Note 1 to the City's financial statements. Such expenditures are recognized following cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 3. Subrecipients

Of the federal expenditures presented in the schedule, the City provided no federal awards to subrecipients.

Note 4. Non-Cash Assistance

The City did not receive any non-cash assistance during the fiscal year ended September 30, 2025.

Note 5. Loans

At year-end, the City had no loans or loan guarantees outstanding with federal awarding agencies.

**CITY OF WATAUGA, TEXAS
ORDINANCE NO. 2026-**

**AN ORDINANCE OF THE CITY OF WATAUGA, TEXAS,
AMENDING CHAPTER 12 OF THE CODE OF
ORDINANCES OF THE CITY OF WATAUGA, TEXAS,
AMENDING RATES AND FEES IN SECTIONS 12-2 AND 12-
30 OF CHAPTER 12, TO REPEAL FEES FOR PROCESSING
DAMAGED AND LOST ITEMS, REVISE RATES FOR
RECREATION AND COMMUNITY CENTER
MEMBERSHIP FEES, REVISE RATES FOR RECREATION
AND COMMUNITY CENTER CLASS FEES, REVISE
RATES FOR RECREATION AND COMMUNITY CENTER
RENTAL OF FACILITY FEES; PROVIDING A REPEALING
CLAUSE; PROVIDING A SAVINGS CLAUSE; PROVIDING
FOR SEVERABILITY; AND PROVIDING AN EFFECTIVE
DATE.**

WHEREAS, pursuant to Chapter 51 of the Texas Local Government Code, the City of Watauga has the full power of local self-government and may adopt and amend ordinances for the good government, peace and order of the City; and

WHEREAS, the City Council finds a revision of the Code of Ordinances to revise various rates and fees throughout the existing fee schedule is merited; and

WHEREAS, the City of Watauga has studied the cost of providing city services and enforcing regulations and has identified that the costs of providing certain services are currently not being met by the existing fees; and

WHEREAS, the City Council of the City of Watauga finds that the fees established herein do not exceed the amount reasonably necessary to provide the services to which they are related; and

WHEREAS, the City Council of the City of Watauga finds that the fees and rates described herein are necessary to provide for the services to which they relate and to adequately compensate the City for the actual costs incurred in providing services; and

WHEREAS, the City Council finds that it is necessary to amend its fee schedule in order to more effectively provide services to the residents and businesses of the City of Watauga.

NOW, THEREFORE, BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF WATAUGA, TEXAS, THAT:

I.

The facts and recitations set forth in the preamble of this Ordinance are hereby found to be true and correct and adopted herein for all purposes.

II.

The Code of Ordinances, Watauga, Texas, (the Watauga Code) be and is hereby amended by amending Chapter 12, the Fee Schedule, by amending Section 12-2 to repeal processing fees for lost and damaged items, Section 12-30 to revise rates and fees for recreation and community center membership fees, to revise rates and fees for recreation and community center class fees, and to revise rates and fees for recreation and community center rental of facility fees. The foregoing sections are hereby replaced in their entirety with the provisions attached hereto and incorporated herein as Exhibit “A” (struck-through items are deleted provisions and underlined items are added provisions).

III.

This Ordinance shall be and is hereby cumulative of all other ordinances of the City of Watauga, Texas and this Ordinance shall not operate to repeal or affect any of such other ordinances except insofar as the provisions thereof might be inconsistent or in conflict with the provisions of this Ordinance, in which event such conflicting provisions, if any, in such other Ordinances or Ordinances are hereby repealed.

IV.

Fees assessed prior to the effective date of this ordinance is governed by the prior law and the provisions of the fee schedule and ordinances of the City of Watauga, Texas, as amended, in effect when the fees were assessed and the former law and fee schedule is continued in effect for this purpose.

V.

In the event any clause, phrase, provision, sentence or part of this Ordinance, the fee schedule amendments made herein, or the application of the same to any person or circumstances shall for any reason be adjudged invalid, unenforceable or unconstitutional by a court of competent jurisdiction, it shall not affect, impair, or invalidate this Ordinance as a whole or any part or provision hereof other than the part declared to be invalid or unconstitutional; and the City Council of the City of Watauga, Texas, declares that it would have passed each and every part of the same notwithstanding the omission of any part thus declared to be invalid or unconstitutional, or whether there be one or more parts.

VI.

This Ordinance shall become effective on March 9, 2026, and shall be in full force and effect from and after the foregoing effective date, and upon application of law and in accordance with Sections 3.11 and 3.13 of the Charter of the City of Watauga, Texas.

PASSED AND ADOPTED by the City Council of the City of Watauga, Texas this, the 9th day of March, 2026.

APPROVED:

ARTHUR L. MINER, MAYOR

ATTEST:

LINDA PROSKEY, CITY SECRETARY

APPROVED AS TO FORM AND LEGALITY:

DAVID BERMAN, CITY ATTORNEY

EXHIBIT A

CHAPTER 12 FEE SCHEDULE

EXHIBIT A

CITY OF WATAUGA ORDINANCE NO. 202-__

Sec. 12-2. Chapter 2, Administration and miscellaneous fees.

- (a) *Returned check fee.* \$30.00 per check.
- (b) *Books and maps.*
 - (1) Zoning and thoroughfare plan \$5.00
 - (2) Sign ordinance book \$10.00
 - (3) Subdivision regulation book \$12.00
 - (4) Street and storm drain details/plans \$18.00
 - (5) Zoning ordinance book \$30.00
 - (6) Street and storm drain specs \$30.00
 - (7) Standard details book \$30.00
 - (8) Water and sewer book \$30.00
- (c) *Fingerprinting service fees.* \$10.00.
- (d) *Accident reports.*
 - (1) Accident report. As provided by V.T.C.A., Transportation Code § 550.065, as amended.
 - (2) Certification of accident report. As provided by V.T.C.A., Transportation Code § 550.065, as amended.
 - (3) Certification of no accident on file. As provided by V.T.C.A., Transportation Code § 550.065, as amended.
- (e) *Convenience fees.* \$2.25 per transaction.
- (f) *Fee refunds.*
 - (1) The building official may authorize refunding of any fee paid hereunder which was erroneously paid or collected.
 - (2) The building official may authorize refunding of not more than 80 percent of the permit fee paid when no work has been done under a permit issued in accordance with this Code.
 - (3) The building official may authorize refunding of not more than 80 percent of the plan review fee paid when an application for a permit for which a plan review fee has been paid is withdrawn or canceled before any plan reviewing is done.
 - (4) The building official shall not authorize refunding of any fee paid except on written request filed by the original permittee not later than 180 days after the date of fee payment.
- (g) *Nonresident library card.* \$25.00 annual fee.
- (h) *Reservation fee—Meeting room.* \$50.00.
- (i) *Rental fee—Meeting room.* \$30.00/hr.
- (j) *Replacement library card.* \$1.00.

(k) *Damage cost*—Replacement cost ~~plus \$5.00 processing fee.~~

(l) *Lost items*—Replacement cost ~~plus \$5.00 processing fee.~~

(m) *Certified records fee (in state).* \$75.00.

(n) *Certified records fee (out of state).* \$100.00.

(o) *Deposition of records fee.* \$75.00.

(p) *Library self-serve kiosk.*

(1) Black and white copies and print \$0.15/ea page

(2) Color copies and print \$0.35/ea page

(3) ~~Tablet~~Legal and larger color copies and print \$0.50/ea page

(4) ~~Tablet~~Legal and larger black and white copies and print \$0.30/ea page

(5) Scan No cost

(6) Fax \$1.00/ea page (not including cover)

(q) *Appeal to board of appeals.* As provided in subsection 12-103 of this Code.

(Code 2010, § A1.001; Ord. No. 1521, § I, 4-22-2013; Ord. No. 1620, § I, 4-25-2016; Ord. No. 2019-009, § II, 8-26-2019; Ord. No. 2020-023, § II, 7-13-2020; Ord. No. 2021-028, § II, 6-28-2021; Ord. No. 2021-030, § III(Exh. B), 8-23-2021; Ord. No. 2021-038, § III(Exh. B), 8-23-2021; Ord. No. 2021-044, § III, 9-13-2021; Ord. No. 2024-012, § II(Exh. A), 5-13-2024)

EXHIBIT A**CITY OF WATAUGA ORDINANCE NO. 2026-__****Sec. 12-30. Chapter 30, Parks and recreational facilities.***(a) Recreation and community center membership fees:*

Type	Resident Fee	Nonresident Fee
Adult:		
Annual	\$60.00	\$125.00 <u>\$130.00</u>
Daily walk-in	\$8.00	\$12.00
Child 17 and under:		
Annual	\$25.00	\$60.00
Daily walk-in	\$5.00	\$10.00
Seniors over 60:		
Annual	\$30.00	\$65.00
Annual (Senior Center only)	\$15.00	\$30.00
Daily walk-in	\$5.00	\$7.00
Family of four:		
Annual	\$140.00	\$280.00 <u>\$300.00</u>
Each additional child	\$20.00	\$20.00 <u>\$30.00</u>
City employee:		
Annual	\$0.00	\$0.00
Daily walk-in	\$0.00	\$0.00
City employee spouse:		
Annual	\$20.00	\$20.00
Daily walk-in	\$3.00	\$3.00
City employee child 17 and under:		
Annual	\$10.00	\$10.00
Daily walk-in	\$2.00	\$2.00
<u>Replacement card</u>	<u>\$5.00/per card</u>	<u>\$5.00 per card</u>

Recreational center membership includes access to the gymnasium, fitness room, activity room, entertainment area and locker rooms. Senior center membership is for access to senior center only. Membership is not mandatory to participate in some classes and/or select programs.

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(Supp. No. 17)

(b) *Recreation and community center class fees:*

Type	Resident Fee	Nonresident Fee
Class and program user fee	Agreed upon by contract instructor and city	Agreed upon by contract instructor and city
League fees (seasonal)	Based on area user fees for specific activity(city receives 20% of fee or \$20.00 per player per season)	Based on area user fees for specific activity(City receives 20% of fee or \$20.00 per player per season)
Preschool—Tiny Tots	\$100.00/month	\$100.00/month
Preschool—Time for Tots	\$125.00/month	\$125.00/month
Camp Watauga—1 child	\$135.00 140.00/week	\$160.00 170.00/week
Camp Watauga—2 children	\$243.00 252.00/week	\$288.00 306.00/week
Camp Watauga—3 children	\$338.00 350.00/week	\$400 425.00/week
Camp Watauga—4 children	\$419.00 435.00/week	\$496 528.00/week
<u>Late Camp pickup</u>	<u>\$10/15 minutes</u>	<u>\$10/15 minutes</u>
Concession stand rental	\$500 per season	\$500.00 per season

(c) *Recreation and community center rental of facility fees:*

Type	Resident Fee	Nonresident Fee
<u>Foster Village Park</u>		
<u>Foster village Cottage</u>	\$45.00/hr. (3 hr. minimum)	\$75.00/hr. (3 hr. minimum)
<u>Field #1</u>	<u>\$15.00/hr.</u>	<u>\$25.00/hr.</u>
<u>Field #2</u>	<u>\$15.00/hr.</u>	<u>\$25.00/hr.</u>
<u>Field #5</u>	<u>\$15.00/hr.</u>	<u>\$25.00/hr.</u>
<u>Recreation Community Center</u>		
Multi-purpose room (A)	\$20.00/hr.	\$40.00/hr.
Multi-purpose room (B)	\$20.00/hr.	\$40.00/hr.
Multi-purpose room (C)	\$40.00/hr.	\$60.00/hr.

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(Supp. No. 17)

Multi-purpose room (E)	\$50.00/hr.	\$80.00/hr.
Active A adult C center room	\$75.00/hr.	\$125.00/hr.
Gym ½ court	\$40.00/hr.	\$65.00/hr.
Gym full court	\$75.00/hr.	\$125.00/hr.
After hours fee	\$40.00/hr. additional charge	\$40.00/hr. additional charge
Indian Springs S sports field s-rentals	\$20.00/hr.	\$40.00/hr.
Capp Smith Park		
Amphitheatre (1 st 3 hours)	\$75.00 (3 hr. block)	\$120.00 (3 hr. block)
Amphitheatre (each additional hour)	\$25.00/hr. (each additional hour)	\$40.00/hr. (each additional hour)
Pavilion rental (1 st 2 hours)	\$35.00 (2 hr. block)	\$60.00 (2 hr. block)
Pavilion rental (each additional hour)	\$17.50/hr.	\$30.00/hr.
Splashpad cabanas 1—3	\$37.50/hr. (2 hr. minimum) Mon—Fri	\$62.50/hr. (2 hr. minimum) Mon—Fri
Splashpad cabanas 1—3	\$50.00/hr. (2 hr. minimum) Sat—Sun	\$75.00/hr. (2 hr. minimum) Sat—Sun
Splashpad pavilion	\$50.00/hr. (2 hr. minimum) Mon—Fri	\$75.00/hr. (2 hr. minimum) Mon—Fri
Splashpad pavilion	\$75.00/hr. (2 hr. minimum) Sat—Sun	\$100.00/hr. (2 hr. minimum) Sat—Sun

(d) *Other camps and miscellaneous fees:*

Type	Resident Fee	Nonresident Fee
Youth fire camp	\$75.00	\$75.00

All rental fees are due immediately upon placing a reservation for rental. Any reservations cancelled at least two weeks (14 days) prior to the reservation date will be entitled to a full refund. Cancellations less than two weeks prior to the reservation date will cause forfeiture of the entire rental fee.

(Code 2001, app. A, arts. 12.000, 14.000; Code 2010, §§ A12.001, A12.002; Ord. No. 1522, § I, 4-22-2013; Ord. No. 1620, § I, 4-25-2016; Ord. No. 1688, § I, 3-7-2019; Ord. No. 1697, § I, 5-13-2019; Ord. No. 2019-009, § V, 8-26-2019; Ord. No. 2021-024, § II, 4-26-2021; Ord. No. 2021-044, § VI, 9-13-2021; Ord. No. 2022-07, § II, 5-9-2022; Ord. No. 2024-012, § II(Exh. A), 5-13-2024)



AGENDA MEMORANDUM

DATE: February 19, 2026

TO: Honorable City Council Members

FROM: Arthur Miner, Mayor

SUBJECT: Discuss and consider the procedures for the training and travel budget for the Council

BACKGROUND/INFORMATION:

Discuss procedures for travel/training for the council pertaining to their positions as elected officials.

FINANCIAL IMPLICATIONS:

none

RECOMMENDATION/ACTION DESIRED:

ATTACHMENTS/ SUPPORTING DOCUMENTATION:

1. City Council Travel and Training Procedures

REVIEWED BY:

Sandra Gibson, City Manager

Linda Proskey, City Secretary

Approved as to form for inclusion on Agenda

Approved - 2/25/2026

Final Approval - 2/25/2026



City Council Travel and Training Procedures

For the current fiscal year, each City Council Member is allocated funds to cover training and travel expenses. All proposed travel must be directly related to the member's elected position on the City Council, and all requests must be submitted to the Mayor for approval or disapproval. The Mayor will then forward his or her recommendation to the City Manager for approval or disapproval, including a review of all legal and financial aspects. The Mayor shall submit his or her request for approval to the City Manager. All requests must be submitted at least two (2) weeks prior to the date of departure. Advance payment of expenses will be allowed to cover the costs of travel and meals.

Step 1 – Request Approval to Attend Training Event

1. Notify the City Secretary of the training event you would like to attend and provide your travel preferences (i.e., departure and arrival dates, mode of transportation, meal reimbursement option, etc.).
2. The City Secretary will calculate the estimated expenses and verify the availability of funds.

Step 2 – Submit Travel Request Form

1. Once funding has been verified, the City Secretary will complete Part 1 of the Travel Request Form and forward it to The Mayor for approval and signature.
2. If approved The Mayor will submit the completed form to the City Manager for final approval.

Step 3 – Make Travel Arrangements

1. Once the City Manager approves the travel request, the City Secretary will make all necessary arrangements and submit a check request to the Finance Department for any prepaid expenses.
2. Prior to the date of departure, the City Secretary will provide the elected official with registration confirmation, hotel accommodation information, and a map with directions, if needed.

All travel and reimbursement requests must comply with the City's Travel and Reimbursement Policy 4.03 and all other applicable procedures.



AGENDA MEMORANDUM

DATE: February 25, 2026

TO: Honorable City Council Members

FROM:

THROUGH:

SUBJECT: Pursuant to Section 551.074 of the Texas Government Code (Personnel), to deliberate and discuss the goals and objectives of the City Manager.

BACKGROUND/INFORMATION:

FINANCIAL IMPLICATIONS:

RECOMMENDATION/ACTION DESIRED:

ATTACHMENTS/ SUPPORTING DOCUMENTATION:

None

REVIEWED BY:

David Berman, City Attorney

Sandra Gibson, City Manager

Linda Proskey, City Secretary

Approved as to form for inclusion on Agenda

New -